



Overstrand Municipality
Unaudited Annual Financial Statements
for the year ended 30 June 2019

OVERSTRAND MUNICIPALITY
UNAUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

APPROVAL OF THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 71, in terms of Section 126(1)(a) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in the notes of these annual financial statement are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A handwritten signature in black ink, appearing to read 'CC Groenewald', is written over a horizontal line.

CC Groenewald

Municipal Manager

30 August 2019

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Municipality Demarcation WC032
Nature of business and principal activities	Local Government
The following is included in the scope of operation	Provision of basic services, eg. electricity, water, sanitation and refuse
Executive Mayor	Ald D Coetzee
Deputy Mayor	Cllr E Gillion
Speaker	Ald A Coetsee
Grading of local authority	Grade 3
Accounting Officer	Mr CC Groenewald
Chief Financial Officer (CFO)	Ms SG Reyneke-Naude
Business address	Magnolia Street Hermanus Western Cape South Africa 7200
Postal address	PO Box 20 Hermanus Western Cape South Africa 7200
Bankers	Absa Group Limited
Auditors	Auditor-General of South Africa
Governing legislation	Local Government: Municipal Finance Management Act, No. 56 of 2003
Contact information	028 313 8000 enquiries@overstrand.gov.za www.overstrand.gov.za

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

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Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	9	39,086,299	32,351,538
Operating lease asset		721,910	696,408
Receivables from exchange transactions	10	23,339,777	24,879,185
Receivables from non-exchange transactions	11	29,785,114	20,358,292
VAT receivable	12	11,212,563	6,872,433
Consumer debtors	13	73,481,466	64,957,088
Other assets	8	11,411	10,277
Cash and cash equivalents	14	533,187,506	474,967,328
		710,826,046	625,092,549
Non-Current Assets			
Investment property	2	119,697,500	113,951,000
Property, plant and equipment	3	3,385,091,861	3,346,195,212
Intangible assets	4	8,596,755	6,698,891
Heritage assets	5	124,182,197	124,182,197
Other financial assets	6	50,523,542	44,594,781
Other assets	8	8,670	20,081
		3,688,100,525	3,635,642,162
Total Assets		4,398,926,571	4,260,734,711
Liabilities			
Current Liabilities			
Other financial liabilities	16	39,724,556	33,448,403
Payables from exchange transactions	18	96,408,813	97,030,197
Consumer deposits	19	40,019,681	38,462,167
Employee benefit obligation	7	3,912,891	3,643,627
Unspent conditional grants and receipts	15	12,589,924	21,776,160
Provisions	17	29,097,225	26,146,544
		221,753,090	220,507,098
Non-Current Liabilities			
Other financial liabilities	16	422,933,052	408,657,652
Employee benefit obligation	7	108,913,863	98,747,053
Provisions	17	113,242,881	106,303,622
		645,089,796	613,708,327
Total Liabilities		866,842,886	834,215,425
Net Assets		3,532,083,685	3,426,519,286
Reserves			
Housing development fund		3,263,614	3,258,817
Accumulated surplus		3,528,820,071	3,423,260,469
Total Net Assets		3,532,083,685	3,426,519,286

* See Note 43

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	648,200,079	590,111,535
Rental of facilities and equipment		6,340,863	5,615,719
Agency services		4,912,994	4,148,923
Licences and permits		2,526,365	2,526,908
Other income	21	30,028,074	32,625,735
Investment revenue	22	45,960,105	34,174,702
Gain on disposal of assets and liabilities		-	28,095,850
Fair value adjustments		6,695,262	11,031,754
Total revenue from exchange transactions		744,663,742	708,331,126
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	233,274,257	215,762,844
Transfer revenue			
Government grants and subsidies	25	185,036,029	180,720,836
Public contributions and donations	26	26,418,172	4,834,149
Fines, penalties and forfeits		24,734,386	31,637,624
Total revenue from non-exchange transactions		469,462,844	432,955,453
Total revenue		1,214,126,586	1,141,286,579
Expenditure			
Employee related costs	27	367,941,688	296,682,085
Remuneration of councillors	28	10,573,228	10,137,692
Depreciation and amortisation	29	129,659,351	129,937,864
Impairment loss/reversal of impairments	30	1,444,354	4,908,414
Finance costs	31	44,920,621	46,128,610
Lease rentals on operating lease		330,049	670,100
Debt Impairment	32	17,948,502	18,012,606
Bulk purchases	33	242,613,624	225,843,568
Contracted services	34	186,758,283	167,078,552
Transfers and subsidies	24	485,850	1,800,008
Loss on disposal of assets and liabilities		609,917	-
Materials		47,091,469	40,900,026
General expenses	35	58,185,253	54,965,953
Total expenditure		1,108,562,189	997,065,478
Surplus for the year		105,564,397	144,221,101

* See Note 43

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	3,251,243	3,293,898,213	3,297,149,456
Adjustments			
Prior year adjustments	2,414	(14,853,685)	(14,851,271)
Balance at 1 July 2017 as restated*	3,253,657	3,279,044,528	3,282,298,185
Changes in net assets			
Surplus for the year	-	144,221,101	144,221,101
Transfers to/(from) housing development fund	5,160	(5,160)	-
Total changes	5,160	144,215,941	144,221,101
Opening balance as previously reported	3,258,817	3,439,498,782	3,442,757,599
Adjustments			
Prior year adjustments	-	(16,238,311)	(16,238,311)
Restated* Balance at 1 July 2018 as restated*	3,258,817	3,423,260,471	3,426,519,288
Changes in net assets			
Surplus for the year	-	105,564,397	105,564,397
Transfers to/(from) housing development fund	4,797	(4,797)	-
Total changes	4,797	105,559,600	105,564,397
Balance at 30 June 2019	3,263,614	3,528,820,071	3,532,083,685

* See Note 43

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Taxation		231,321,763	213,851,463
Sale of goods and services		643,619,610	590,741,761
Grants		175,849,793	196,066,719
Interest income		45,960,105	34,174,702
Other receipts		82,273,908	75,405,520
		<u>1,179,025,179</u>	<u>1,110,240,165</u>
Payments			
Employee costs		(357,505,614)	(320,064,395)
Suppliers		(242,613,624)	(225,843,568)
Finance costs		(44,920,621)	(46,128,610)
Other payments		(315,671,416)	(274,307,059)
		<u>(960,711,275)</u>	<u>(866,343,632)</u>
Net cash flows from operating activities	39	<u>218,313,904</u>	<u>243,896,533</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(172,687,013)	(103,729,275)
Proceeds from sale of property, plant and equipment	3	(565,840)	5,758,440
Purchase of investment property	2	-	(455,000)
Proceeds from sale of investment property	2	-	75,692,748
Purchase of other intangible assets	4	(2,422,704)	(1,070,423)
Movement in financial assets		(4,979,999)	(4,980,001)
Movement in other assets		10,277	8,264
Net cash flows from investing activities		<u>(180,645,279)</u>	<u>(28,775,247)</u>
Cash flows from financing activities			
Movement in other financial liabilities		20,551,553	31,410
Net cash flows from financing activities		<u>20,551,553</u>	<u>31,410</u>
Net increase/(decrease) in cash and cash equivalents		58,220,178	215,152,696
Cash and cash equivalents at the beginning of the year		474,967,328	259,814,632
Cash and cash equivalents at the end of the year	14	<u>533,187,506</u>	<u>474,967,328</u>

* See Note 43

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Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	613,718,100	11,000,000	624,718,100	648,200,079	23,481,979	
Rental of facilities and equipment	5,842,800	2	5,842,802	6,340,863	498,061	
Agency services	3,726,000	800,000	4,526,000	4,912,994	386,994	
Licences and permits	2,446,700	-	2,446,700	2,526,365	79,665	
Other income	27,247,400	(5)	27,247,395	30,028,074	2,780,679	Note 54
Interest received	24,706,500	8,199,999	32,906,499	45,960,105	13,053,606	Note 54
Total revenue from exchange transactions	677,687,500	19,999,996	697,687,496	737,968,480	40,280,984	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	234,998,400	-	234,998,400	233,274,257	(1,724,143)	
Transfer revenue						
Government grants and subsidies	192,534,250	(8,275,761)	184,258,489	185,036,029	777,540	
Public contributions and donations	-	250,001	250,001	26,418,172	26,168,171	Note 54
Fines, penalties and forfeits	34,964,900	(4,799,998)	30,164,902	24,734,386	(5,430,516)	Note 54
Total revenue from non-exchange transactions	462,497,550	(12,825,758)	449,671,792	469,462,844	19,791,052	
Total revenue	1,140,185,050	7,174,238	1,147,359,288	1,207,431,324	60,072,036	
Expenditure						
Employee related costs	(368,815,337)	(6,989,788)	(375,805,125)	(367,941,688)	7,863,437	
Remuneration of councillors	(10,972,260)	-	(10,972,260)	(10,573,228)	399,032	
Depreciation and amortisation	(130,362,238)	-	(130,362,238)	(129,659,351)	702,887	
Impairment loss/ reversal of impairments	-	-	-	(1,444,354)	(1,444,354)	Note 54
Finance costs	(47,834,480)	-	(47,834,480)	(44,920,621)	2,913,859	
Lease rentals on operating lease	(1,354,202)	(185,900)	(1,540,102)	(330,049)	1,210,053	Note 54
Debt Impairment	(23,492,000)	-	(23,492,000)	(17,948,502)	5,543,498	Note 54
Bulk purchases	(238,558,349)	(4,055,278)	(242,613,627)	(242,613,624)	3	
Contracted services	(193,636,856)	(9,355,039)	(202,991,895)	(186,758,283)	16,233,612	
Transfers and subsidies	(575,124)	-	(575,124)	(485,850)	89,274	
Materials	(57,601,747)	5,105,119	(52,496,628)	(47,091,469)	5,405,159	Note 54
General expenses	(61,042,119)	(4,750,790)	(65,792,909)	(58,185,255)	7,607,654	Note 54
Total expenditure	(1,134,244,712)	(20,231,676)	(1,154,476,388)	(1,107,952,274)	46,524,114	
Operating surplus	5,940,338	(13,057,438)	(7,117,100)	99,479,050	106,596,150	
Loss on disposal of assets and liabilities	11,000	-	11,000	(609,917)	(620,917)	Note 54
Fair value adjustments	2,000,000	-	2,000,000	6,695,262	4,695,262	Note 54
	2,011,000	-	2,011,000	6,085,345	4,074,345	
Surplus before taxation	7,951,338	(13,057,438)	(5,106,100)	105,564,395	110,670,495	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	7,951,338	(13,057,438)	(5,106,100)	105,564,395	110,670,495	

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Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	15,431,618	29,300,000	44,731,618	39,086,299	(5,645,319)	Note 54
Operating lease asset	722,013	-	722,013	721,910	(103)	
Receivables from exchange transactions	23,078,827	-	23,078,827	23,339,777	260,950	Note 54
Receivables from non-exchange transactions	18,136,362	3,800,000	21,936,362	29,785,114	7,848,752	Note 54
VAT receivable	7,907,979	-	7,907,979	11,212,563	3,304,584	Note 54
Consumer debtors	78,187,575	(9,193,689)	68,993,886	73,481,466	4,487,580	
Other assets	9,852	-	9,852	11,411	1,559	Note 54
Cash and cash equivalents	380,242,339	108,771,766	489,014,105	533,187,506	44,173,401	
	523,716,565	132,678,077	656,394,642	710,826,046	54,431,404	
Non-Current Assets						
Investment property	101,865,000	12,981,000	114,846,000	119,697,500	4,851,500	
Property, plant and equipment	3,435,529,998	(45,205,907)	3,390,324,091	3,385,091,861	(5,232,230)	
Intangible assets	5,941,574	104,534	6,046,108	8,596,755	2,550,647	Note 54
Heritage assets	124,182,198	-	124,182,198	124,182,197	(1)	
Other financial assets	50,546,287	-	50,546,287	50,523,542	(22,745)	
Other assets	10,230	-	10,230	8,670	(1,560)	
	3,718,075,287	(32,120,373)	3,685,954,914	3,688,100,525	2,145,611	
Total Assets	4,241,791,852	100,557,704	4,342,349,556	4,398,926,571	56,577,015	
Liabilities						
Current Liabilities						
Other financial liabilities	38,428,449	-	38,428,449	39,724,556	1,296,107	
Payables from exchange transactions	87,052,298	13,105,566	100,157,864	96,408,813	(3,749,051)	
Consumer deposits	53,151,678	(13,105,566)	40,046,112	40,019,681	(26,431)	
Employee benefit obligation	4,051,371	(138,480)	3,912,891	3,912,891	-	
Unspent conditional grants and receipts	-	3,800,000	3,800,000	12,589,924	8,789,924	Note 54
Provisions	32,467,066	(4,709,920)	27,757,146	29,097,225	1,340,079	
	215,150,862	(1,048,400)	214,102,462	221,753,090	7,650,628	
Non-Current Liabilities						
Other financial liabilities	423,676,880	-	423,676,880	422,933,052	(743,828)	
Employee benefit obligation	141,638,117	(32,724,254)	108,913,863	108,913,863	-	
Provisions	108,138,744	4,234,278	112,373,022	113,242,881	869,859	
	673,453,741	(28,489,976)	644,963,765	645,089,796	126,031	
Total Liabilities	888,604,603	(29,538,376)	859,066,227	866,842,886	7,776,659	
Net Assets	3,353,187,249	130,096,080	3,483,283,329	3,532,083,685	48,800,356	
Net Assets						
Reserves						
Housing development fund	3,300,000	-	3,300,000	3,263,614	(36,386)	
Accumulated surplus	3,349,887,249	130,096,080	3,479,983,329	3,528,820,071	48,836,742	
Total Net Assets	3,353,187,249	130,096,080	3,483,283,329	3,532,083,685	48,800,356	

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Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	233,454,456	(53,757)	233,400,699	231,321,763	(2,078,936)	
Sale of goods and services	613,623,379	8,433,784	622,057,163	643,619,610	21,562,447	
Grants	192,534,250	(8,275,760)	184,258,490	175,849,793	(8,408,697)	
Interest income	24,701,000	8,205,499	32,906,499	45,960,105	13,053,606	Note 54
Other receipts	56,316,894	(5,029,410)	51,287,484	82,273,908	30,986,424	Note 54
	1,120,629,979	3,280,356	1,123,910,335	1,179,025,179	55,114,844	
Payments						
Employee costs	(367,024,467)	(7,089,276)	(374,113,743)	(357,505,614)	16,608,129	
Suppliers	(238,588,349)	-	(238,588,349)	(242,613,624)	(4,025,275)	
Finance costs	(47,834,480)	-	(47,834,480)	(44,920,621)	2,913,859	
Other payments	(288,055,619)	(581,248)	(288,636,867)	(315,671,416)	(27,034,549)	
	(941,502,915)	(7,670,524)	(949,173,439)	(960,711,275)	(11,537,836)	
Net cash flows from operating activities	179,127,064	(4,390,168)	174,736,896	218,313,904	43,577,008	
Cash flows from investing activities						
Purchase of property, plant and equipment	(194,237,061)	19,488,898	(174,748,163)	(172,687,013)	2,061,150	
Proceeds from sale of property, plant and equipment	-	-	-	(565,840)	(565,840)	Note 54
Purchase of other intangible assets	-	-	-	(2,422,704)	(2,422,704)	
Movement in financial assets	(7,124,469)	1,172,963	(5,951,506)	(4,979,999)	971,507	Note 54
Movement in other assets	10,277	(1)	10,276	10,277	1	
Net cash flows from investing activities	(201,351,253)	20,661,860	(180,689,393)	(180,645,279)	44,114	
Cash flows from financing activities						
Movement in other financial liabilities	20,006,968	(7,694)	19,999,274	20,551,553	552,279	
Net increase/(decrease) in cash and cash equivalents	(2,217,221)	16,263,998	14,046,777	58,220,178	44,173,401	
Cash and cash equivalents at the beginning of the year	382,459,561	92,507,767	474,967,328	474,967,328	-	
Cash and cash equivalents at the end of the year	380,242,340	108,771,765	489,014,105	533,187,506	44,173,401	

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Receivables from non-exchange transactions

Management made key assumptions and estimations to determine the initial recognition and measurement of revenue on fines using estimated reductions based on historical information.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment properties.
- Land held for currently undetermined future use.
- Lease properties that are held to provide a social/(community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue is not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.

1.5 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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Accounting Policies

1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life in years
Buildings	Straight line	5 to 30
Furniture and fixtures	Straight line	3 to 15
Motor vehicles	Straight line	4 to 10
Office equipment	Straight line	3 to 15
Infrastructure		
• Roads	Straight line	3 to 60
• Pedestrian malls	Straight line	25 to 80
• Electricity	Straight line	3 to 60
• Water	Straight line	5 to 100
• Sewerage	Straight line	10 to 60
• Housing	Straight line	30
Bins and containers	Straight line	10 to 15

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Land is not depreciated as it is deemed to have an indefinite useful life.

Incomplete construction work is stated as historical cost. Depreciation only commences when the asset is available for use.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 38).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Overstrand Municipality

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Accounting Policies

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortisation method	Average useful life in years
Computer software, other	Straight line	2 to 5

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the unaudited annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings, all graded sites are classified as heritage assets. Furthermore, land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 38).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

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Accounting Policies

1.7 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Operating leases	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

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Accounting Policies

1.8 Financial instruments (continued)

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value (assets and liabilities).
- Financial instruments at amortised cost (assets and liabilities).
- Financial instruments at cost (assets).

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The calculation in respect of the impairment of fines receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

Overstrand Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Overstrand Municipality

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Accounting Policies

1.9 Leases (continued)

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rent is expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value or the lower of cost and current replacement cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Low cost housing properties are subsequently valued at the lower of cost and current replacement cost. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortisation.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Overstrand Municipality

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Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Designation

The municipality does not control any assets that are used with the objective of generating a commercial return. The municipality's primary objective is service delivery and tariffs are cost reflective to ensure continued financial sustainability. The municipality has designated all of its assets as non-cash-generating as its objective is not to use the assets to generate a commercial return but to deliver services.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments as a provision when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

The municipality contributes to various National- and Provincial-administrated Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to the fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued at least bi-annually on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

These post-retirement health care benefits are actuarially valued at least bi-annually on the Projected Unit Credit Method basis.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Overstrand Municipality

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Accounting Policies

1.13 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

When the effects of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value for money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption from the first reading after the reporting date.

Overstrand Municipality

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Accounting Policies

1.14 Revenue from exchange transactions (continued)

Revenue from the sale of pre-paid electricity units is recognised when the risks and rewards of ownership has passed to the buyer.

Revenue received from pre-paid electricity sales are deferred and recognised as revenue on the consumption basis, commencing on the date of purchase. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage, including how often and electricity card is purchased or additional units of electricity loaded onto a pre-paid card.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has a water connection. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are charged on both vacant and developed property using the tariffs approved from Council and are levied monthly.

Interest and other revenue

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Revenue arising from the application of the approved tariff of charges is recognised when the service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

1.15 Revenue from non-exchange transactions

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Overstrand Municipality

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Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognises a separate impairment loss, where appropriate.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes -

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

If the expenditure is not certified as irrecoverable and written off by council it is treated as an asset until it is recovered or impaired.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

If the expenditure is not certified as irrecoverable and written off by council it is treated as an asset until it is recovered or impaired.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.20 Irregular expenditure

According to section 1 of the MFMA: "irregular expenditure", in relation to a municipality or municipal entity, means -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170; or
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act and which has not been condoned in terms of that Act; or
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law;

but excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

Irregular expenditure is recognised, in accordance with its nature, as an expense in the Statement of Financial Performance during the period that it occurred.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debtor's account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the council may write off the amount and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly.

1.21 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

1.22 Internal reserves

Self-insurance reserve

The municipality has a self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term cash investments.

The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between claims received against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from Accumulated surplus to Self-Insurance Reserve.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.23 Budget information (continued)

The approved budget covers the fiscal period from 01 July 2018 to 30 June 2019.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparison of budget and actual amounts has been included in the unaudited annual financial statements as the recommended disclosure when the unaudited annual financial statements and the budget are on the same basis of accounting.

Comparative information is not required.

1.24 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

Events after reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after reporting date that are classified as non-adjusting events are disclosed in the notes to the annual financial statements.

1.26 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.27 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

		Effective date
GRAP 18	Segment Reporting	1 July 2020
GRAP 20	Related Party Disclosures	1 July 2019
GRAP 32	Service Concession Arrangements: Grantor	1 July 2019
GRAP 108	Statutory Receivables	1 July 2019
GRAP 109	Accounting by Principals and Agents	1 July 2019
iGRAP 17	Service Concession Arrangements where a grantor controls a significant residual interest in an asset	1 July 2019
iGRAP 18	Recognition and Derecognition of Land	1 July 2019
iGRAP 19	Liabilities to Pay Levies	1 July 2019

The ASB Directive 5 sets out the principles for the application of the GRAP 3 guideline in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all the above standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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2. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	119,697,500	-	119,697,500	113,951,000	-	113,951,000

Reconciliation of investment property - 2019

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Total
Investment property	113,951,000	-	-	-	5,746,500	119,697,500

Reconciliation of investment property - 2018

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Total
Investment property	154,416,500	455,000	(50,872,061)	618,061	9,333,500	113,951,000

Details of property sales

Proceeds on sale from investment property

- Carrying value	-	50,872,061
- Gain/(loss) on disposal	-	24,820,687
	-	75,692,748

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amounts recognised in surplus or deficit

Rental revenue from investment property	1,367,061	1,507,021
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Investment properties are adjusted to their fair value on an annual basis. The valuations are performed by Boland Valuers, independent valuers who are not connected to the municipality.

See note 38 for repairs and maintenance.

No Investment properties are held as security for liabilities of the municipality.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2019			2018		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	
Land	346,698,670	(425,208)	346,273,462	348,443,609	(425,208)	348,018,401
Buildings	151,806,735	(60,785,721)	91,021,014	151,579,127	(56,984,759)	94,594,368
Plant and machinery	9,807,172	(5,883,329)	3,923,843	8,687,034	(5,144,670)	3,542,364
Motor vehicles	82,782,605	(21,766,765)	61,015,840	68,066,483	(18,579,353)	49,487,130
Office equipment	24,656,120	(15,706,657)	8,949,463	22,564,072	(13,891,163)	8,672,909
Infrastructure	4,712,410,486	(2,043,024,734)	2,669,385,752	4,592,502,756	(1,934,244,988)	2,658,257,768
Community	331,889,133	(127,366,646)	204,522,487	302,818,502	(119,196,230)	183,622,272
Total	5,660,050,921	(2,274,959,060)	3,385,091,861	5,494,661,583	(2,148,466,371)	3,346,195,212

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Under construction	Depreciation	Impairment loss	Total
Land	348,018,401	1,427,636	(5,154)	(3,167,421)	-	-	-	346,273,462
Buildings	94,594,368	227,607	-	-	-	(3,800,961)	-	91,021,014
Plant and machinery	3,542,364	1,120,138	-	-	-	(738,659)	-	3,923,843
Motor vehicles	49,487,130	15,045,069	(1)	-	-	(3,292,411)	(223,947)	61,015,840
Office equipment	8,672,909	2,180,128	(38,922)	-	-	(1,852,123)	(12,529)	8,949,463
Infrastructure	2,658,257,768	35,634,566	-	-	87,981,238	(111,279,942)	(1,207,878)	2,669,385,752
Community	183,622,272	27,431,099	-	-	1,639,532	(8,170,416)	-	204,522,487
	3,346,195,212	83,066,243	(44,077)	(3,167,421)	89,620,770	(129,134,512)	(1,444,354)	3,385,091,861

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Under construction	Depreciation	Impairment loss	Total
Land	347,061,158	3,841,946	(2,404,219)	(480,484)	-	-	-	348,018,401
Buildings	97,352,885	1,150,879	-	(165,000)	-	(3,744,396)	-	94,594,368
Plant and machinery	3,678,775	599,235	(5,393)	-	-	(705,443)	(24,810)	3,542,364
Motor vehicles	44,254,060	8,655,502	(72,518)	-	-	(2,822,533)	(527,381)	49,487,130
Office equipment	10,342,183	758,335	(1,147)	-	-	(1,929,208)	(497,254)	8,672,909
Infrastructure	2,691,952,682	10,983,444	-	-	71,141,039	(111,960,428)	(3,858,969)	2,658,257,768
Community	185,139,707	1,776,922	-	-	4,821,972	(8,116,329)	-	183,622,272
	3,379,781,450	27,766,263	(2,483,277)	(645,484)	75,963,011	(129,278,337)	(4,908,414)	3,346,195,212

Details of property, plant and equipment sales

Proceeds from sale of property, plant and equipment

- Carrying value	44,077	2,483,277
- Gain/(loss) on disposal	(609,917)	3,275,163
	(565,840)	5,758,440

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	92,710,105	6,854,954	99,565,059
Additions/capital expenditure	87,981,238	1,639,532	89,620,770
Transferred to completed items	(35,080,112)	(6,221,606)	(41,301,718)
	145,611,231	2,272,880	147,884,111

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	24,414,284	2,032,982	26,447,266
Additions/capital expenditure	71,141,040	4,821,972	75,963,012
Transferred to completed items	(2,845,219)	-	(2,845,219)
	92,710,105	6,854,954	99,565,059

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

See note 38 for repairs and maintenance.

No Property, plant and equipment are held as security for liabilities of the municipality.

4. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	9,488,431	(3,251,676)	6,236,755	7,065,727	(2,726,836)	4,338,891
Rights to use naturally occurring assets	2,360,000	-	2,360,000	2,360,000	-	2,360,000
Total	11,848,431	(3,251,676)	8,596,755	9,425,727	(2,726,836)	6,698,891

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	4,338,891	2,422,704	(524,840)	6,236,755
Rights to use naturally occurring assets	2,360,000	-	-	2,360,000
	6,698,891	2,422,704	(524,840)	8,596,755

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,927,239	1,070,423	(658,771)	4,338,891
Rights to use naturally occurring assets	2,360,000	-	-	2,360,000
	6,287,239	1,070,423	(658,771)	6,698,891

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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4. Intangible assets (continued)

Other information

Intangible assets with indefinite lives:

Rights to use naturally occurring assets	2,360,000	2,360,000
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The municipality entered into a contract with Kraai Bosch Plase (Pty) Ltd on 28 May 1999. The useful life of the water right is considered to be indefinite as the contract does not define when the municipality will cease to enjoy the right to use the water from the Kraaibosch dam. There is no reason to believe that the right to the Kraaibosch dam has a limited useful life due to the condition of the dam. Regular assessments are performed to determine whether the conditions that existed at the inception of the contract have changed.

Other intangible assets	5,217,768	2,795,064
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Other intangible assets consist of software procured by the municipality. The useful life of the software is considered to be indefinite as the contracts does not define when the municipality will cease to enjoy the right to use the software. There is no reason to believe that the right to the software has a limited useful life due to the condition thereof. Regular assessments are performed to determine whether the conditions that existed at the inception of the contract have changed..

No Intangible assets are held as security for liabilities of the municipality.

5. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	133,265,888	(9,250,000)	124,015,888	133,265,888	(9,250,000)	124,015,888
Stamp collections, military insignia, medals and coins	166,309	-	166,309	166,309	-	166,309
Total	133,432,197	(9,250,000)	124,182,197	133,432,197	(9,250,000)	124,182,197

Reconciliation of heritage assets 2019

	Opening balance	Total
Conservation areas	124,015,888	124,015,888
Stamp collections, military insignia, medals and coins	166,309	166,309
	124,182,197	124,182,197

Reconciliation of heritage assets 2018

	Opening balance	Total
Conservation areas	124,015,888	124,015,888
Stamp collections, military insignia, medals and coins	166,309	166,309
	124,182,197	124,182,197

Certain conservation land is carried at Rnil value as there is no market in this regard and therefore their cost/fair value cannot be reliably measured.

See note 38 for repairs and maintenance.

No Heritage assets are held as security for liabilities of the municipality.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2019	2018
6. Other financial assets			
Designated at fair value	Level		
Liberty	1	47,482,294	41,944,027
Momentum	1	3,041,248	2,650,754
		50,523,542	44,594,781
Non-current assets			
Designated at fair value		50,523,542	44,594,781

In determining the recoverability of other financial assets, the Overstrand Municipality considers any change in the credit quality of the other financial assets at the reporting date.

The above represents sinking funds that are used to redeem certain borrowings at their maturity with a bullet payment.

The Fair Value of financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The above instruments are classified at fair value, on reporting date, by the level of fair value hierarchy as required by GRAP 104. Level 1 is defined as quoted prices (unadjusted) in active markets for identical assets.

7. Employee benefit obligations

Defined benefit plan

The plan is a post-employment health benefit plan.

Post-employment health care benefit plan

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- LA Health;
- Hosmed;
- Samwumed; and
- Keyhealth

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation was carried out as at 30 June 2018 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa, including projections for the 2019 financial period. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment health care benefit plan are made up as follows:

In-service members	369	362
Continuation members	88	81
	457	443

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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7. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(112,826,754)	(102,390,680)
Non-current liabilities	(108,913,863)	(98,747,053)
Current liabilities	(3,912,891)	(3,643,627)
	(112,826,754)	(102,390,680)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	102,390,680	125,772,990
Net expense recognised in the statement of financial performance	10,436,074	(23,382,310)
	112,826,754	102,390,680

Net expense recognised in the statement of financial performance

Current service cost	4,431,148	5,844,794
Interest cost	9,648,553	11,305,115
Actuarial losses/(gains)	200,674	(37,133,733)
Expected return on reimbursement rights	(3,844,301)	(3,398,486)
	10,436,074	(23,382,310)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.59 %	9.59 %
Medical cost trend rates	7.39 %	7.39 %
Other material actuarial assumptions	2.05 %	2.05 %

Management assessed the assumptions used and found it to be adequate.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	16,640,800	12,027,300
Effect on defined benefit obligation	129,750,767	98,159,276

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	112,826,754	102,390,680	125,772,990	113,188,465	109,634,000

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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7. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution plans, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

8. Other assets

Housing selling scheme	8,703	10,767
Sport clubs	11,378	19,591
	20,081	30,358
Non-current assets		
Other assets	8,670	20,081
Current assets		
Other assets	11,411	10,277
	20,081	30,358

In determining the recoverability of other assets, the Overstrand Municipality considers any change in the credit quality of the other assets from the date the credit was initially granted up to the reporting date.

9. Inventories

Stores and materials	9,593,108	7,322,423
Water for distribution	133,878	128,021
Work-in-progress - Low cost housing	28,117,438	23,657,594
Low cost housing properties not transferred to beneficiaries	1,243,500	1,243,500
	39,087,924	32,351,538
Inventories (write-downs)	(1,625)	-
	39,086,299	32,351,538
Inventories recognised as an expense during the period:		
Stores	11,320,244	10,963,003
Water	33,341,296	30,145,564
Work-in-progress-Low cost housing	12,002,643	7,275,586
	56,664,183	48,384,153

No Inventories are held as security for liabilities of the municipality.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
10. Receivables from exchange transactions ¹		
Trade debtors	20,426,526	17,119,004
Prepayments	-	3,340,414
Deposits	730,169	683,329
Accrued interest	2,183,082	527,438
Other debtors	-	3,209,000
	23,339,777	24,879,185

In determining the recoverability of receivables from exchange transactions, the Overstrand Municipality considers any change in the credit quality of the trade and other receivables from the date the credit was initially granted up to the reporting date.

11. Receivables from non-exchange transactions ¹

Fines	19,060,758	15,669,193
Government grants and subsidies	6,981,469	-
Control accounts	3,742,887	4,689,099
	29,785,114	20,358,292

In determining the recoverability of receivables from non-exchange transactions, the Overstrand Municipality considers any change in the credit quality of the trade and other receivables from the date the credit was initially granted up to the reporting date.

Receivables from non-exchange transactions ¹ impaired

Revenue from fines recognised for the period amounts to R 24,734,386 (2018: R 31,637,624).

Fines receivable from non-exchange transactions after the provision of impairment amounted to R 19,060,758 (2018: R 15,669,193).

The amount provided for impairment was R 52,457,481 (2018: R 39,205,523).

The ageing of these fines are as follows:

< 12 months	3,391,565	4,242,650
> 1 year	15,669,193	11,426,542

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	39,205,523	23,007,498
Provision for impairment	13,251,958	16,198,025
	52,457,481	39,205,523

The calculation in respect of the impairment of fines receivable (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category. The total average collectability of fines were 34% (2018: 36%).

The calculation for initial recognition and measurement in respect of fines reduced and or cancelled is based on an assessment of past reduced and or cancelled history of fines per category. The total average estimated reductions used were 41% (2018: 42%).

12. VAT receivable

VAT	11,212,563	6,872,433
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In determining the recoverability of VAT receivable, the Overstrand Municipality considers any change in the credit quality of the VAT receivable from the date the credit was initially granted up to the reporting date.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
12. VAT receivable (continued)		
Overstrand Municipality is registered on the cash/payment basis for VAT.		
13. Consumer debtors		
Gross balances		
Rates	26,333,687	23,382,263
Electricity	22,232,740	19,994,093
Water	20,178,518	16,177,666
Sewerage	11,045,368	9,337,902
Refuse	8,538,144	7,761,043
Property rental	789,404	731,678
Other	10,471,605	9,346,056
	99,589,466	86,730,701
Less: Allowance for impairment		
Rates	(6,788,080)	(5,789,150)
Electricity	(5,743,760)	(5,131,041)
Water	(5,221,600)	(4,123,165)
Sewerage	(2,871,880)	(2,376,844)
Refuse	(2,349,720)	(1,969,827)
Property rental	(261,080)	(164,008)
Other	(2,871,880)	(2,219,578)
	(26,108,000)	(21,773,613)
Net balance		
Rates	19,545,607	17,593,113
Electricity	16,488,980	14,863,052
Water	14,956,918	12,054,501
Sewerage	8,173,488	6,961,058
Refuse	6,188,424	5,791,216
Property rental	528,324	567,670
Other	7,599,725	7,126,478
	73,481,466	64,957,088
Included in above consumer debtors is receivables from exchange transactions		
Electricity	16,488,980	14,863,052
Water	14,956,918	12,054,501
Sewerage	8,173,488	6,961,058
Refuse	6,188,424	5,791,216
Property rental	528,324	567,670
	46,336,134	40,237,497
Included in above consumer debtors is receivables from non-exchange transactions		
Rates	19,545,607	17,593,113
Other	7,599,725	7,126,478
	27,145,332	24,719,591
Net balance	73,481,466	64,957,088

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
13. Consumer debtors (continued)		
Rates		
Current (0 - 30 days)	14,573,374	12,967,856
31 - 60 days	410,517	280,130
61 - 90 days	460,073	173,409
91 - 120 days	190,859	139,159
121 - 365 days	1,216,900	774,408
> 365 days	2,693,884	3,258,151
	19,545,607	17,593,113
Electricity		
Current (0 - 30 days)	11,340,928	10,485,995
31 - 60 days	274,983	197,202
61 - 90 days	199,802	141,135
91 - 120 days	130,926	134,778
121 - 365 days	724,156	714,514
> 365 days	3,818,185	3,189,428
	16,488,980	14,863,052
Water		
Current (0 - 30 days)	9,862,350	7,914,844
31 - 60 days	359,240	193,146
61 - 90 days	263,180	116,101
91 - 120 days	232,214	100,811
121 - 365 days	784,841	550,622
> 365 days	3,455,093	3,178,977
	14,956,918	12,054,501
Sewerage		
Current (0 - 30 days)	5,146,626	4,482,757
31 - 60 days	190,314	114,799
61 - 90 days	168,030	75,982
91 - 120 days	134,430	68,961
121 - 365 days	554,586	355,979
> 365 days	1,979,502	1,862,580
	8,173,488	6,961,058
Refuse		
Current (0 - 30 days)	4,061,905	3,842,585
31 - 60 days	122,555	95,196
61 - 90 days	88,805	67,061
91 - 120 days	71,370	59,398
121 - 365 days	372,297	303,001
> 365 days	1,471,492	1,423,975
	6,188,424	5,791,216
Property rental		
Current (0 - 30 days)	265,688	245,716
31 - 60 days	4,357	3,688
61 - 90 days	3,644	2,790
91 - 120 days	3,497	2,766
121 - 365 days	21,471	35,562
> 365 days	229,667	277,148
	528,324	567,670

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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13. Consumer debtors (continued)

Other

Current (0 - 30 days)	1,819,984	1,476,149
31 - 60 days	239,578	170,935
61 - 90 days	150,102	138,121
91 - 120 days	161,579	162,713
121 - 365 days	867,458	1,454,730
> 365 days	4,361,024	3,723,830
	7,599,725	7,126,478

Reconciliation of allowance for impairment

Balance at beginning of the year	(21,773,613)	(20,592,975)
Contributions to allowance	(5,161,971)	(1,981,941)
Debt impairment written off against allowance	827,584	802,570
Reversal of allowance	-	(1,267)
	(26,108,000)	(21,773,613)

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15,280	14,150
Bank balances	123,972,372	94,439,043
Short-term deposits	409,199,854	380,514,135
	533,187,506	474,967,328

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA-Cheque-322-000-0035	143,280,292	104,936,947	124,247,860	119,561,244	93,311,053	85,842,107
ABSA-Cheque-405-589-9787	11,637	9,585	20,871	11,316	9,313	20,599
ABSA-Cheque-405-642-0921	148,107	41,821	195,547	103,402	(2,208)	151,518
ABSA-Cheque-406-657-8021	4,054,075	771,436	2,786,839	4,124,062	846,835	2,783,375
ABSA-Cheque-407-298-3157	179,887	275,417	276,707	177,584	274,050	275,339
Nedbank-Cheque-119-013-6678	(1,840)	-	-	(1,840)	-	-
Nedbank-Cheque-119-013-7186	(3,396)	-	-	(3,396)	-	-
ABSA Call accounts	59,199,854	30,513,936	20,727,445	59,199,854	30,513,936	20,727,445
STD Bank Call accounts	75,000,000	150,000,199	50,000,000	75,000,000	150,000,199	50,000,000
Nedbank Call accounts	275,000,000	200,000,000	50,000,000	275,000,000	200,000,000	50,000,000
Investec Call accounts	-	-	50,000,000	-	-	50,000,000
Cash on hand	-	-	-	15,280	14,150	14,050
Total	556,868,616	486,549,341	298,255,269	533,187,506	474,967,328	259,814,433

Cash and cash equivalents includes cash on hand, bank accounts and short-term deposits that are held for the purpose of meeting short-term cash commitments.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National: Municipal Infrastructure Grant	-	4,543,840
Provincial: Human Settlement Grant	2,549,049	15,834,910
Provincial: Library Grant	-	529,375
Provincial: Financial Management Support Grant	280,000	240,000
Provincial: LG Graduate Internship Grant	35,742	50,201
Provincial: Municipal Service Delivery and Capacity Building Grant	138,474	-
Provincial: Public Transportation non-motorised Infrastructure Grant	-	389,994
Provincial: Financial Capacity Building Grant	600,000	-
Provincial: Establishment and Support of K9 unit Grant	3,800,000	-
Provincial: Disaster Management Grant	5,000,000	-
Unspent public contributions and donations	186,659	187,840
	12,589,924	21,776,160

Movement during the year

Balance at the beginning of the year	21,776,160	6,476,263
Additions during the year	83,118,378	111,967,280
Income recognition during the year	(89,219,210)	(96,667,383)
Repayment of unspent grant	(10,066,873)	-
Debtor	6,981,469	-
	12,589,924	21,776,160

See note 25 for reconciliation of grants from National/Provincial Government and note 26 for the public contributions.

16. Other financial liabilities

At amortised cost

DBSA Annuity loans	271,371,719	227,273,451
INCA Annuity loans	20,467,658	26,053,293
ABSA Annuity loans	170,818,231	188,779,311
	462,657,608	442,106,055

Total other financial liabilities

462,657,608 442,106,055

Non-current liabilities

At amortised cost	422,933,052	408,657,652
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Current liabilities

At amortised cost	39,724,556	33,448,403
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The fair values of the financial liabilities were determined as follows:

- The management of the municipality is of the opinion that the carrying value of financial assets and financial liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of financial assets and financial liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio of the municipality's debtors.
- At the reporting date there are no significant concentrations of credit risk for other financial liabilities. The carrying amount reflected above represents the municipality's maximum exposure to credit risk for such other financial liabilities.

Refer to note 44 for maturity analysis of financial liabilities.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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17. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of tip sites	93,822,782	6,587,366	-	100,410,148
Long service awards	15,569,497	2,597,626	(1,585,472)	16,581,651
Leave pay	12,991,563	2,532,229	(910,464)	14,613,328
Bonusses	9,745,606	674,528	-	10,420,134
Gratification	320,718	-	(5,873)	314,845
	132,450,166	12,391,749	(2,501,809)	142,340,106

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of tip sites	86,469,122	7,353,660	-	93,822,782
Long service awards	11,147,619	6,054,400	(1,632,522)	15,569,497
Leave pay	12,576,336	771,589	(356,362)	12,991,563
Bonusses	8,610,497	1,135,109	-	9,745,606
Gratification	356,290	-	(35,572)	320,718
	119,159,864	15,314,758	(2,024,456)	132,450,166

Non-current liabilities	113,242,881	106,303,622
Current liabilities	29,097,225	26,146,544
	142,340,106	132,450,166

Rehabilitation of tip sites

Provision is made in terms of the Overstrand Municipality's licensing stipulations on the landfill sites, for the estimated cost of rehabilitating landfill sites. The estimation of landfill sites was conducted by JPCE specialist waste management consultants, independent consultants who are not connected to the municipality.

The costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. The previous year's figures are escalated using the latest CPI. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

The scheduled dates of total closure and rehabilitation for the operational site is at present anticipated to take place between 2019 and 2036.

The cost to rehabilitate all identified sites in the Overstrand are estimated at R 100,410,148 for the period.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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17. Provisions (continued)

Long service awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2019 may become entitled to in future, based on an actuarial valuation performed at 30 June 2018, to the amount of R 16,581,651 for the period.

Discount rate:

A discount rate of 8.62% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee.

Key assumptions:

Discount rate of 8.62% (2018: 8.62%), a general salary inflation rate of 6.21% (2018: 6.21%) and a net discount rate of 2.27% (2018: 2.27%).

Leave pay

Annual leave accrues to employees on a monthly basis in accordance with the conditions of employment. Employees are entitled to 16 non-vested leave days and 8 vested leave days per annum, accumulated to a maximum of 48 leave days. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of leave and the estimated leave days to be forfeited. The estimated cost amounts to R 14,613,328 for the period.

It is not the municipality's policy to encash leave in the normal course of business, except upon resignation or retirement.

Bonusses

Annual bonuses accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on assumptions and the estimated cost amounts to R 10,420,134 for the period.

Gratification

The cost of the gratification payable was based on employees not belonging to a pension fund up until February 2003 and is only payable on retirement. The estimated cost amounts to R 314,845 for the period.

18. Payables from exchange transactions

Trade payables	48,637,415	56,196,415
Payments received in advance	9,657,734	10,933,511
Deferred income	254,314	338,420
Retentions	9,320,815	2,258,590
Accrued interest	4,958,035	5,534,199
Deposits received	15,551,729	14,701,730
Other payables	700,000	700,000
Control accounts	7,328,771	6,367,332
	96,408,813	97,030,197

19. Consumer deposits

Electricity	28,015,842	26,898,051
Water	12,003,839	11,564,116
	40,019,681	38,462,167

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
20. Service charges		
Sale of electricity	378,668,312	349,297,794
Sale of water	129,971,486	110,931,849
Sewerage and sanitation charges	77,771,868	72,106,442
Refuse removal	61,788,413	57,775,450
	648,200,079	590,111,535
21. Other income		
Administration charges	371,751	327,515
Advertisements	14,377	17,584
Camping fees	6,476,611	6,785,380
Cemeteries and burial fees	288,630	279,720
Cleaning and removals	114,178	126,840
Collection charges	3,519,077	3,695,926
Development charges	2,374,414	3,722,227
Discounts and early settlements	14,057	14,670
Entrance fees	87,341	82,478
Fire service charges	149,694	1,618,829
Insurance claims received	4,242,537	1,875,154
Legal fees	739,450	767,187
Library fees	1,322	837
Management fees	1,490,542	2,048,008
Materials and equipment	22,660	95,720
Objections and appeals	7,946	10,053
Parking fees	213,063	614,164
Photocopy, print and fax charges	51,227	56,738
Planning and development fees	7,572,760	8,870,294
Private telephone calls	186,068	171,412
Publications	172,696	84,460
Request for information	65,802	50,305
Roadworthy certificates	598,466	595,039
Street markets	-	655
Sundry income	1,152,932	700,112
Training	100,473	14,428
	30,028,074	32,625,735
22. Investment revenue		
Interest revenue		
Short-term deposits	34,519,934	24,699,362
Other assets	864	1,314
Bank	7,215,104	5,586,063
Interest charged on trade and other receivables	4,192,333	3,852,897
Interest received - other	31,870	35,066
	45,960,105	34,174,702

The amount included in investment revenue arising from exchange transactions amounted to R 3,222,213.

The amount included in investment revenue arising from non-exchange transactions amounted to R 42,634,097.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
23. Property rates		
Rates received		
Residential	193,873,422	180,686,191
Commercial	35,350,149	31,284,737
Government	3,287,236	3,099,204
Small holdings and farms	763,450	692,712
	233,274,257	215,762,844
24. Transfers and subsidies paid		
Other subsidies		
Low income household subsidies	52,850	46,180
Transfers/donations made to tourism authorities	-	1,493,050
Grants to organisations	433,000	260,778
	485,850	1,800,008
25. Government grants and subsidies		
Operating grants		
Equitable share	96,068,000	84,223,000
National Expanded Public Works Programme	1,926,000	2,300,000
National Financial Management Grant	1,550,000	1,550,000
Provincial Human Settlement Developments Grant	12,687,623	21,697,439
Provincial Library Grant	6,159,578	6,306,000
Provincial Community Development Workers Grant	-	58,760
Provincial Main Road Subsidy	137,000	139,000
Provincial Thusong Service Centre Grant	100,000	-
Provincial Greenest Municipality Competition Grant	-	120,000
Provincial Graduate Internship Grant	86,460	63,544
Provincial Municipal Service Delivery and Capacity Building Grant	61,526	-
Provincial Establishment and Support of K9 Unit Grant	200,000	-
	118,976,187	116,457,743
Capital grants		
National Integrated National Electrification Programme	4,262,000	4,000,000
National Municipal Infrastructure Grant	26,182,840	17,786,160
Provincial Human Settlement Developments Grant	34,108,211	34,180,062
Provincial Development of Sport and Recreation Facilities Grant	-	1,171,000
Provincial Library Grant	1,116,797	1,140,625
Provincial Community Development Workers Grant	-	15,240
Provincial Fire Service Capacity Building Grant	-	2,000,000
Provincial Municipal Service Delivery and Capacity Building Grant	-	360,000
Provincial Public Transport Non-motorised Infrastructure Grant	389,994	3,610,006
	66,059,842	64,263,093
	185,036,029	180,720,836

Equitable Share

This grant is primarily used to subsidise the provision of basic services to indigent households.

All registered indigent households receive a monthly subsidy based on the basic service charges for water, electricity, sewerage, refuse and up to 4,2kl waste water, which is funded from the grant. Indigent households also receive 6kl free water and 50kwh free electricity per month.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies (continued)		
National Integrated National Electrification Programme		
Current year receipts	4,262,000	4,000,000
Conditions met - transferred to revenue	(4,262,000)	(4,000,000)
	-	-
National Municipal Infrastructure Grant		
Balance unspent at beginning of year	4,543,840	-
Current year receipts	21,639,000	22,330,000
Conditions met - transferred to revenue	(26,182,840)	(17,786,160)
	-	4,543,840
Conditions still to be met - remains as a liability (see note 15).		
National Expanded Public Works Programme		
Current year receipts	1,926,000	2,300,000
Conditions met - transferred to revenue	(1,926,000)	(2,300,000)
	-	-
National Financial Management Grant		
Current year receipts	1,550,000	1,550,000
Conditions met - transferred to revenue	(1,550,000)	(1,550,000)
	-	-
Provincial Human Settlement Developments Grant		
Balance unspent at beginning of year	15,834,910	3,924,531
Current year receipts	36,595,378	67,831,880
Conditions met - transferred to revenue	(46,795,835)	(55,921,501)
Repayment of grant	(10,066,873)	-
Debtor	6,981,469	-
	2,549,049	15,834,910
Conditions still to be met - remains as a liability (see note 15).		
Provincial Development of Sport and Recreation Facilities Grant		
Current year receipts	-	1,171,000
Conditions met - transferred to revenue	-	(1,171,000)
	-	-
Provincial Library Grant		
Balance unspent at beginning of year	529,375	969,999
Current year receipts	6,747,000	7,006,000
Conditions met - transferred to revenue	(7,276,375)	(7,446,624)
	-	529,375
Conditions still to be met - remains as a liability (see note 15).		

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies (continued)		
Provincial Community Development Workers Grant		
Current year receipts	-	74,000
Conditions met - transferred to revenue	-	(74,000)
	-	-
Provincial Main Road Subsidy		
Current year receipts	137,000	139,000
Conditions met - transferred to revenue	(137,000)	(139,000)
	-	-
Provincial Thusong Service Centre Grant		
Current year receipts	100,000	-
Conditions met - transferred to revenue	(100,000)	-
	-	-
Provincial Greenest Municipality Competition Grant		
Balance unspent at beginning of year	-	50,000
Current year receipts	-	70,000
Conditions met - transferred to revenue	-	(120,000)
	-	-
Provincial Graduate Internship Grant		
Balance unspent at beginning of year	50,201	47,746
Current year receipts	72,000	66,000
Conditions met - transferred to revenue	(86,459)	(63,545)
	35,742	50,201
Conditions still to be met - remains as a liability (see note 15).		
Provincial Fire Service Capacity Building Grant		
Balance unspent at beginning of year	-	1,200,000
Current year receipts	-	800,000
Conditions met - transferred to revenue	-	(2,000,000)
	-	-
Provincial Municipal Service Delivery and Capacity Building Grant		
Current year receipts	200,000	360,000
Conditions met - transferred to revenue	(61,526)	(360,000)
	138,474	-
Conditions still to be met - remains as a liability (see note 15).		

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies (continued)		
Provincial Public Transport Non-motorised Infrastructure Grant		
Balance unspent at beginning of year	389,994	-
Current year receipts	-	4,000,000
Conditions met - transferred to revenue	(389,994)	(3,610,006)
	-	389,994
Conditions still to be met - remains as a liability (see note 15).		
Provincial Establishment and Support of K9 Unit Grant		
Current year receipts	4,000,000	-
Conditions met - transferred to revenue	(200,000)	-
	3,800,000	-
Conditions still to be met - remains as a liability (see note 15).		
26. Public contributions and donations		
Public contributions non-cash	25,546,402	4,249,787
LG SETA	620,589	460,801
Spaces for sport	1,181	94,161
Tourism events	-	29,400
Arbor city awards	250,000	-
	26,418,172	4,834,149
Reconciliation of conditional contributions		
Balance unspent at beginning of year	187,840	282,001
Current-year receipts	27,812,631	4,753,146
Conditions met - transferred to revenue	(27,813,812)	(4,847,307)
	186,659	187,840
Conditions still to be met - remains as a liability (see note 15)		
27. Employee related costs		
Basic	214,176,263	191,229,819
Bonus	16,829,307	15,617,797
Medical aid - company contributions	12,035,265	11,195,194
UIF	1,930,163	1,772,204
WCA	1,501,682	1,583,764
Leave pay provision charge	2,532,229	771,590
Bargaining council	302,121	105,774
Group life	1,442,039	1,315,226
Defined contribution plans	48,930,416	11,484,369
Overtime payments	25,088,922	18,399,615
Long-service awards	2,597,626	6,054,400
Acting allowances	1,693,798	1,131,214
Car allowance	11,455,064	10,889,807
Housing benefits and allowances	2,349,619	2,442,685
Cellphone	2,073,633	2,013,332
Scarcity	2,329,965	2,142,534
Standby	9,412,323	7,929,135
Sundry	141,690	114,710
	356,822,125	286,193,169

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
27. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual Remuneration	1,430,287	1,328,484
Contributions to UIF, Medical and Pension Funds	341,583	317,966
Entertainment	12,000	12,000
	1,783,870	1,658,450
Cellphone allowance	27,540	27,540
Performance bonus	186,990	103,390
	214,530	130,930
Remuneration of Chief Financial Officer		
Annual Remuneration	1,327,428	1,295,160
Car Allowance	48,000	48,000
Contributions to UIF, Medical and Pension Funds	300,832	292,276
Entertainment	6,000	6,000
	1,682,260	1,641,436
Cellphone allowance	24,480	24,480
Remuneration of Director: Management Services		
Annual Remuneration	1,139,529	1,052,355
Car Allowance	72,000	72,000
Contributions to UIF, Medical and Pension Funds	275,813	256,627
Entertainment	6,000	5,952
Housing subsidy	10,173	9,559
	1,503,515	1,396,493
Cellphone allowance	27,540	27,540
Acting allowance	3,705	5,238
	31,245	32,778
Remuneration of Director: Community Services		
Annual Remuneration	1,153,907	1,065,127
Car Allowance	78,000	78,000
Contributions to UIF, Medical and Pension Funds	284,448	264,512
Entertainment	8,082	7,817
Computer allowance	3,912	3,912
	1,528,349	1,419,368
Cellphone allowance	27,540	27,540
Acting allowance	3,108	4,776
	30,648	32,316

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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27. Employee related costs (continued)

Remuneration of Director: Infrastructure and Planning

Annual Remuneration	1,311,644	1,279,886
Car Allowance	48,000	48,000
Contributions to UIF, Medical and Pension Funds	317,379	308,126
Entertainment	9,000	9,000
Computer allowance	4,800	4,800
	1,690,823	1,649,812

Cellphone allowance	27,540	27,540
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Remuneration of Director: Local Economic Development

Annual Remuneration	1,297,984	1,195,271
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	48,558	46,530
Entertainment	19,904	20,000
	1,486,446	1,381,801

Cellphone allowance	24,480	24,480
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Remuneration of Director: Protection Services

Annual Remuneration	1,261,271	1,159,191
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	53,029	52,365
Entertainment	10,000	10,000
	1,444,300	1,341,556

Cellphone allowance	27,540	27,540
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The senior managements' cellphone- and acting allowances and performance bonus are included in their respective line items in note 27 above.

Employee related costs for municipal staff	356,822,125	286,193,169
Employee related costs for senior management	11,119,563	10,488,916
	367,941,688	296,682,085

28. Remuneration of councillors

Executive Major	827,749	675,983
Deputy Executive Mayor	662,200	636,909
Mayoral Committee Members [2019: 4; 2018: 4]	2,586,721	2,785,701
Speaker	662,200	636,731
Councillors [2019: 19; 2018: 19]	4,728,058	4,320,994
Cellphone allowance	1,106,300	1,081,374
	10,573,228	10,137,692

Overstrand Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
29. Depreciation and amortisation		
Property, plant and equipment	129,134,511	129,279,093
Intangible assets	524,840	658,771
	129,659,351	129,937,864
30. Impairment of assets		
Impairments		
Property, plant and equipment	1,444,354	4,908,414
Assets were impaired during the year due to damage and redundancy. The recoverable amount of the assets were based on its fair value less costs to sell.		
31. Finance costs		
Current borrowings	44,920,621	46,128,610
32. Debt impairment		
Debt impairment	17,948,502	18,012,606
Debt impairment consists of the following:		
Fines impairment provision	13,251,958	16,198,026
Consumer debtors impairment provision	4,696,544	1,814,580
	17,948,502	18,012,606
33. Bulk purchases		
Electricity - Eskom	242,613,624	225,843,568
34. Contracted services		
Outsourced Services		
Animal Care	252,369	511,339
Business and Advisory	1,051,869	563,514
Catering Services	138,860	105,198
Clearing and Grass Cutting Services	1,767,824	1,481,395
Fire Services	2,494,071	791,841
Hygiene Services	325,703	288,137
Litter Picking and Street Cleaning	5,288,709	5,088,194
Meter Management	2,041,620	1,997,857
Mini Dumping Sites	8,154,353	6,224,931
Professional Staff	23,810	60,975
Connection/Dis-connection	442,042	495,265
Refuse Removal	490,308	955,060
Security Services	8,843,259	7,627,025
Sewerage Services	45,697,790	42,236,179
Swimming Supervision	1,580,677	1,709,203
Translators, Scribes and Editors	11,649	59,084
Traffic Fines Management	3,004,799	3,609,383
Veterinary Services	1,329	737
Consultants and Professional Services		
Business and Advisory	3,169,740	3,198,738
Infrastructure and Planning	13,104,363	11,598,598
Laboratory Services	1,595,718	1,572,182
Legal Cost	5,521,292	4,592,684

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
34. Contracted services (continued)		
Contractors		
Building	622,791	454,682
Chipping	3,896,906	3,205,757
Catering Services	189,381	275,812
Electrical	265,409	214,332
Employee Wellness	45,585	56,578
Event Promoters	742,737	378,142
First Aid	10,532	-
Fire Protection	192,676	54,417
Fire Services	214,973	357,530
Gardening Services	222,992	259,685
Graphic Designers	39,573	24,670
Haulage	6,414,130	6,891,239
Inspection Fees	4,688	-
Maintenance of Buildings and Facilities	11,507,158	10,920,340
Maintenance of Equipment	2,578,553	1,278,065
Maintenance of Unspecified Assets	43,987,231	35,965,400
Management of Informal Settlements	2,148,034	1,761,346
Medical Services	43,669	105,710
Pest Control and Fumigation	13,170	46,178
Photographer	7,936	5,075
Plants, Flowers and Other Decorations	5,086	13,364
Prepaid Electricity Vendors	7,089	4,003
Traffic and Street Lights	1,853	130,666
Transportation	64,267	64,558
Safeguard and Security	5,554,841	6,923,662
Sewerage Services	2,720,399	2,165,207
Sports and Recreation	254,470	249,357
Forestry	-	505,258
	186,758,283	167,078,552

Maintenance of unspecified assets consist of all other assets not included in the maintenance of property or machinery and equipment, eg. vehicles and infrastructure assets.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
35. General expenses		
Achievements and awards	2,420	3,591
Advertising	1,817,530	1,794,866
Assets expensed	1,808,305	600,570
Auditors' remuneration	4,876,154	4,827,414
Bank charges	1,803,950	1,537,522
Cleaning	856	-
Commission paid	5,800,362	5,379,841
Computer expenses	4,243,746	5,270,324
Conferences and seminars	80,913	139,464
Consulting and professional fees	840,000	-
Contribution to/(from) provisions	6,587,366	7,353,660
Diesel for boilers	358,830	330,180
Drivers license and permits	30,456	15,206
Electricity	5,380,153	5,110,650
Entertainment	8,452	11,749
Eskom connections	-	55,592
Full time union representative	159,199	74,362
Hire	893,134	416,923
Insurance	3,121,117	3,303,665
Land alienation costs	53,606	128,334
Licenses	1,291	1,200
Office decorations	-	19,835
Other expenses	89,922	63,836
Postage and courier	1,345,443	1,264,556
Reference library	556,671	547,539
Servitudes and land surveys	4,561	8,851
Signage	58,273	26,875
Skills development levies	2,987,324	2,657,794
Storage of files-Archiving	7,177	11,424
Subscriptions and membership fees	3,518,998	3,221,478
Telephone and fax	3,230,446	3,237,806
Title deed search fees	144,033	105,382
Training	1,443,634	1,768,698
Transport and freight	15,472	39,720
Travel - local	1,744,847	999,035
Travel - overseas	18,824	-
Travel agency and visa's	18,925	11,430
Uniforms	3,078,582	2,339,620
Vehicle tracking fees	688,768	713,671
Ward committee meetings	510,700	530,608
Water management charges	854,813	1,042,682
	58,185,253	54,965,953

Membership fees paid over to SALGA during the period amounted to R 3,473,697 (2018: R 3,181,529).

36. Fair value adjustments

Investment property (Fair value model)	5,746,500	9,398,500
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	948,762	1,633,254
	6,695,262	11,031,754

37. Auditors' remuneration

Fees	4,876,154	4,827,414
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Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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38. Repairs and maintenance

Repairs and maintenance consists of portions of various expenditure items.

2019	Property, plant and equipment	Investment property	Heritage assets	Total
Employee related cost	89,414,691	-	-	89,414,691
Materials	17,594,355	-	-	17,594,355
Contracted services	85,761,818	-	-	85,761,818
Other expenditure	22,253,463	-	-	22,253,463
	215,024,327	-	-	215,024,327

2018	Property, plant and equipment	Investment property	Heritage assets	Total
Employee related cost	53,689,440	-	-	53,689,440
Materials	30,000,131	-	-	30,000,131
Contracted services	67,790,749	-	-	67,790,749
Other expenditure	8,555,489	-	-	8,555,489
	160,035,809	-	-	160,035,809

39. Cash generated from operations

Surplus	105,564,397	144,221,101
Adjustments for:		
Depreciation and amortisation	129,659,351	129,937,864
Gain/(loss) on sale of assets and liabilities	609,917	(28,095,850)
Fair value adjustments	(6,695,262)	(11,031,754)
Impairment deficit	1,444,354	4,908,414
Debt impairment	17,948,502	18,012,606
Movements in operating lease assets and accruals	(25,502)	374,773
Movements in retirement benefit assets and liabilities	10,436,074	(23,382,310)
Movements in provisions	9,889,940	13,290,302
Changes in working capital:		
Inventories	(3,567,340)	(11,957,553)
Receivables from exchange transactions	1,539,408	(1,269,537)
Consumer debtors	(13,220,922)	(4,643,106)
Other receivables from non-exchange transactions	(22,678,780)	(20,642,674)
Payables from exchange transactions	(621,381)	17,925,129
VAT	(4,340,130)	(519,938)
Unspent conditional grants and receipts	(9,186,236)	15,345,883
Consumer deposits	1,557,514	1,423,183
	218,313,904	243,896,533

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
40. Commitments		
Authorised capital expenditure		
Expenditure approved and contracted for		
• Property, plant and equipment	48,797,738	3,886,974
Expenditure approved but not yet contracted for		
• Property, plant and equipment	212,879,182	190,350,087
Total capital commitments		
Expenditure approved and contracted for	48,797,738	3,886,974
Expenditure approved but not yet contracted for	212,879,182	190,350,087
	261,676,920	194,237,061

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	95,275	346,944
- in second to fifth year inclusive	-	95,275
	95,275	442,219

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for the lease term.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	3,897,664	3,324,360
- in second to fifth year inclusive	7,943,053	8,135,468
- later than five years	10,033,758	11,066,769
	21,874,475	22,526,597

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 99 years.

Commitments are disclosed exclusive of VAT.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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41. Contingencies

Contingent liabilities

A Jonathan vs Overstrand Municipality

The applicant was dismissed by the municipality. The municipality received a notice from the Labour Court on 21 December 2016 that the Review Application served on the Municipality by the Applicant have been set down on an unopposed basis.

Our attorneys accordingly filed an urgent notice of opposition. Considering the fact that the Applicants relief relate to reinstatement and reimbursement, and the grounds of his review, it was considered prudent to file the required notice of opposition. We can confirm that the condonation application and founding affidavit was signed, commissioned and filed in court and we can confirm that the applicant did not appear in court on 17 February 2017, with the court postponing the matter *sine die*.

The matter will be kept in abeyance until we receive further papers from the applicant.

The financial exposure is approximately R300,000.

Claim for damages to property caused by fire.

On 27 February 2017 a fire broke out at Pringle Bay transfer station. The fire spread to adjacent properties causing damage and on 12 July 2017 a notice in terms of section 3 of the Institution of Legal Proceedings against certain Organs of State Act, 40 of 2002, was issued to the municipality. Damages totalling R121,220 was claimed by two property owners.

The claims have been referred to our insurance broker.

Contingent assets

New Republic Bank

The municipality has an investment with New Republic Bank. The bank is under receivership since October 1999. Interest only accrued until 31 December 2007. There is no guarantee that the municipality will receive the full value of the investment. After the 2013 financial year-end, a dividend of R0.5268 in the rand on the capital amount still outstanding has been received. Therefore a portion of the impairment was reversed. This brings the total payout to 99.15% of the original investment.

Due to the fact that the majority of the debt still to be collected by the receivers involve some form of legal action, it is not possible to determine a date as to when the liquidation process will be completed.

Management impaired this investment from R2,631,821 to Rnil in the 2010/2011 financial year. The exposure is approximately R405,181.

42. Related parties

Relationships

Senior management and councillors

Refer to note 27 and 28

There were no related party transactions that occurred during the period under review.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2017

	As previously reported	Correction of error	Restated
Inventories	35,438,098	(15,138,202)	20,299,896
Operating lease asset	1,102,329	(31,148)	1,071,181
Receivables from exchange transactions	23,906,076	(296,428)	23,609,648
Receivables from non-exchange transactions	16,009,479	(95,836)	15,913,643
Investment property	155,268,500	(852,000)	154,416,500
Property, plant and equipment	3,378,479,047	1,302,409	3,379,781,456
Payables from exchange transactions	(79,318,587)	213,519	(79,105,068)
Unspent conditional grants and receipts	(6,474,277)	44,000	(6,430,277)
Accumulated surplus	(3,293,898,215)	14,853,686	(3,279,044,529)
	230,512,450	-	230,512,450

2018

	As previously reported	Correction of error	Restated
Inventories	50,094,533	(17,742,995)	32,351,538
Operating lease asset	722,533	(26,125)	696,408
Receivables from exchange transactions	25,188,771	(309,586)	24,879,185
Receivables from non-exchange transactions	20,435,970	(77,679)	20,358,291
Consumer debtors	63,126,279	1,830,811	64,957,090
Investment property	114,846,000	(895,000)	113,951,000
Property, plant and equipment	3,345,285,384	909,830	3,346,195,214
Payables from exchange transactions	(97,006,590)	(23,607)	(97,030,197)
Unspent conditional grants and receipts	(21,872,199)	96,039	(21,776,160)
Accumulated surplus	(3,439,498,784)	16,238,312	(3,423,260,472)
	61,321,897	-	61,321,897

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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43. Prior-year adjustments (continued)

Statement of financial performance

2018

	As previously reported	Correction of error	Re-classification	Restated
Service charges	590,194,473	12,781	(95,719)	590,111,535
Rental of facilities and equipment	12,324,087	78,387	(6,786,755)	5,615,719
Other income	23,070,881	2,672,380	6,882,474	32,625,735
Interest received	33,307,513	-	867,189	34,174,702
Property rates	214,845,385	917,459	-	215,762,844
Property rates - penalties imposed	866,642	547	(867,189)	-
Government grants and subsidies	180,668,797	52,039	-	180,720,836
Public contributions and donations	4,847,307	(13,158)	-	4,834,149
Fines, penalties and forfeits	31,633,676	3,948	-	31,637,624
Employee costs	(296,535,978)	(146,107)	-	(296,682,085)
Depreciation and amortisation	(130,034,485)	96,621	-	(129,937,864)
Impairment loss	(4,365,588)	(542,826)	-	(4,908,414)
Lease rentals on operating lease	(590,933)	3,411	(82,578)	(670,100)
Materials	(38,054,292)	(2,845,734)	-	(40,900,026)
Contracted services	(167,065,075)	(13,477)	-	(167,078,552)
General expenditure	(54,883,767)	(164,764)	82,578	(54,965,953)
Gain/loss on disposal of assets	28,077,096	18,754	-	28,095,850
Fair value adjustments	10,976,754	55,000	-	11,031,754
Surplus for the year	439,282,493	185,261	-	439,467,754

44. Risk management

Financial risk management

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs' mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Finance directorate monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk and liquidity risk. Compliance with policies and procedures are reviewed by the internal auditors on a continuous basis and annually by the external auditors. The municipality does not enter into or trade with financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Overstrand Municipality

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44. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in note 13 to the financial statements.

Financial assets exposed to credit risk at year end were as follows:

Counter parties with external credit rating (Fitch's):

Investments

F1	409,199,854	380,514,135
F2	50,523,542	44,594,781

Counter parties without external credit rating:

Receivables from exchange and non-exchange transactions

Group 1	19,060,757	15,669,193
Group 3	13,637,607	9,108,866
Group 4	20,426,526	20,459,418

Consumer debtors

Group 1	23,475,431	21,771,491
Group 2	1,333,636	714,599
Group 3	1,601,544	1,055,096
Group 4	47,070,855	41,415,902

Other assets

Group 4	20,081	30,358
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F1 = Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.

F2 = Good credit quality. A satisfactory capacity for timely payment of financial commitments.

F3 = Fair credit quality. The capacity for timely payment of financial commitments is adequate.

Group 1 = Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in the financial and economic conditions.

Group 2 = Fair credit quality. The capacity for timely payment of financial commitments is adequate.

Group 3 = Good credit quality. A satisfactory capacity for timely payment of financial commitments.

Group 4 = Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.

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44. Risk management (continued)

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2019 and 2018, the municipality's borrowings at variable rate were denominated in Rand.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Interest rate risk for trade and other payables is managed by ensuring that all payments are made within 30 days of receipt of statement, as prescribed by the MFMA.

Interest rate sensitivity analysis:

Financial assets:

If the average interest rate at a given date had been 100 basis points higher, with all other variables held constant, the fair value impact on the Statement of Financial Performance would have been R 227,718 (2018: R 210,409) with the opposite effect if the interest rate had been 100 basis points lower.

Financial liabilities:

If the average interest rate at a given date had been 100 basis points higher, with all other variables held constant, the fair value impact on the Statement of Financial Performance would have been R 16,462 (2018: R 24,503) with the opposite effect if the interest rate had been 100 basis points lower.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due after five years	Total
Trade and other receivables - normal credit terms	14.15 %	47,070,855	26,410,611	-	-	73,481,466
Cash in current banking institutions	6.25 %	533,172,574	-	-	15,280	533,187,506
Fixed interest rate instruments	10.30 %	86,017,450	84,162,487	226,397,602	330,541,201	727,118,740
Variable interest rate instruments	9.17 %	930,493	137,249	-	-	1,067,742

45. Unauthorised expenditure

Operational expenditure

There was no overspending on the total amount appropriated or the total amount per vote appropriated in the municipality's approved operational budget for the period under review.

The over expenditure incurred on capital by municipal functions during the year is attributable to the following categories:

Non-cash	24,353,490	-
Cash	43,081	-
	24,396,571	-

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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45. Unauthorised expenditure (continued)

Overspending of the total amount appropriated in the municipality's approved capital budget

Electricity	8,437,520	-
Sport and recreation	15,915,970	-
Finance and administration	36,117	-
Waste management	2,191	-
Housing	4,773	-
	24,396,571	-

46. Fruitless and wasteful expenditure

Opening balance as previously reported	26,374	26,374
Opening balance as restated	26,374	26,374
Refund paid iro costs incurred relating to erf 4278	14,364	-
Less: Amount written off	(14,364)	-
Closing balance	26,374	26,374

A report, relating to the balance, has served before the Municipal Public Accounts Committee (MPAC) and has been referred back for more information.

Amounts written-off

After the council committee investigations, council adopted the council committee recommendations to write-off an amount of R 14,364 from the total fruitless and wasteful amount as it was proven without reasonable doubt that the amount was not recoverable.

47. Irregular expenditure

Opening balance	216,157	191,880
Opening balance as restated	216,157	191,880
Procuring goods and services without following the official procurement process - current	157,348	24,277
Procuring goods and services without following the official procurement process - prior period	-	-
Less: Amounts recovered - prior period	(2,193)	-
Less: Amount written off - current	(62,138)	-
Less: Amount written off - prior period	(206,464)	-
Closing balance	102,710	216,157

Cases under investigation

Investigations are still in progress regarding 10 (2018: 6) which are all related to non-compliance with procurement process requirements.

Amounts written-off

After the council committee investigations, council adopted the council committee recommendations to write-off an amount of R 270,794 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

48. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) and the Statement of comparison of budget and actual amounts for the comparison of actual operating expenditure versus budgeted expenditure.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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49. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same Gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the unaudited annual financial statements.

SCM Policy	Description		
Clause 36(1)(a)(i)	Emergency	6,377,747	3,049,293
Clause 36(1)(a)(ii)	Available from single provider only	2,126,385	968,992
Clause 36(1)(a)(ii)	Impractical or impossible to follow the normal procurement process	12,456,573	7,748,135
		20,960,705	11,766,420

The detailed deviations are available for inspection in the monthly, quarterly and annual reports tabled in council.

51. Multi-employer retirement benefit information

Overstrand Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

One councillor belongs to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R48.9 million (2018: R11.5 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

DEFINED BENEFIT SCHEMES

LA Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2018. The scheme both operates a defined benefit and defined contribution scheme.

Defined Benefit Scheme:

The contribution rate payable under the defined benefit section is 27%, 9% by the members and 18% (up to 31 January 2012) and 23.06% (from 1 February 2012) by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1.776 billion (2017 : R1.859 billion), with a net accumulated surplus of R63.423 million (2017 : R46.989 million), with a funding level of 103.7% (2017 : 102.6%).

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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51. Multi-employer retirement benefit information (continued)

Defined Contribution Scheme:

The actuarial valuation report at 30 June 2018 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R2.018 billion (2017 : R1.911 billion), net investment reserve of R0 million (2017: R0 million) and a funding level of 100.0% (2017: 100%).

South African Local Authorities Pension Fund (SALA):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2018.

The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14.299 billion (2015 : R13.231 billion), with funding levels of 96% (2015 : 100%). The contribution rate paid by members was 9% and by Council 18% and is sufficient to fund the benefits accruing from the fund in the future. The next statutory valuation of the Fund is due on 1 July 2019.

DEFINED CONTRIBUTION SCHEMES

Consolidated Retirement Fund for Local Government:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R21.359 billion (2016 : R20.075 billion), with funding levels of 100.3% and 127.3% (2016 : 100.5% and 118.0%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (8%) and the municipalities (19%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2.552 billion (2014 : R2.229 billion) with funding levels of 101.08% (2014 : 98.83%). The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union National Provident Fund:

The last statutory valuation was performed as at 30 June 2017.

The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7.721 billion (2014 : R6.574 billion) with funding levels of 102.0% (2014 : 111.7%). The contribution rate paid by the members not less than 7.50% and Council not less than 18.00% is sufficient to fund the benefits accruing from the fund in the future.

52. Awards to close family members of persons in the service of the state

Refer to page 63 for detail relating to awards made to close family members of persons in the service of the state for the year ended 30 June 2019.

53. Distribution losses

Water

Technical losses

Rand value	182,326	262,104
No. of units (kl)	222,190	163,145
% loss	3.17 %	2.41 %

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
53. Distribution losses (continued)		
Non-technical losses		
Rand value	2,126,488	1,870,193
No. of units (kl)	1,478,668	1,310,939
% loss	21.08 %	19.35 %
Electricity		
Technical losses		
Rand value	9,478,011	8,669,675
No. of units (kWh)	12,827,152	12,550,195
% loss	5.00 %	5.00 %
Non-technical losses		
Rand value	2,741,394	212,634
No. of units (kWh)	3,710,090	307,817
% loss	1.45 %	0.12 %

Non-technical water losses to the amount of R2,126,487 (21.08%) (2018: R1,870,193 (19.35%)) were incurred as a result of unmetered connections, ageing pipeline infrastructure, burst pipes, old reticulation networks and other leakages. Technical water losses to the amount of R182,326 (3.17%) (2018: R262,104 (2.41%)).

Electricity losses to the amount of R9,478,011 (5.00%) (2018: R8,669,675 (5.00%)) were incurred as a result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status/condition and age of the network, weather conditions and load on the system as well as non-technical losses, e.g. theft and vandalism, to the amount of R2,741,394 (1.45%) (2018: R212,634 (0.12%)).

54. Budget variances

Material variances between budget and actual amounts

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters.

Explanations for variances greater than 10% between budget and actual figures

Statement of Comparison of Budget and Actual Amounts

Revenue:

Other income - 10.21% - Insurance claims received in excess of estimate.

Investment revenue - 42.70% - Slower capital budget implementation, increased interest on outstanding consumer debtors and more cash available for investing.

Public contributions and donations - 100% - Non-cash contributions primarily from electricity turnkey projects and Hermanus sports complex infrastructure that vested to the municipality.

Fines, penalties and forfeits - (18.00%) - Less fines issued.

Expenditure:

Impairment loss/reversal of impairments - 100% - The budget format does not provide a separate item for impairment loss as it is budgeted together with depreciation, but is shown separately in the financial statements.

Debt impairment – (23.60%) - Reduced impairment of fines due to less fines issued.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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54. Budget variances (continued)

Lease rentals on operating leases - (121.43%) - Reduced expenditure due to the termination of certain leases.

Materials – (11.82%) – More top structures expenditure transferred to housing inventory than transfers to beneficiaries.

Transfers and subsidies - (15.52) - Less paid out to organisations

Inventory - (10.30%) - More Top Structures expenditure transferred to Housing Inventory than transfers to beneficiaries

General expenses – (11.55%) – General cost savings and efficiencies.

Other revenue and costs:

Loss on disposal of assets - 100% - Budgeting subject to impracticalities for the determination of the outcome in advance.

Fair value - 234.76% - Budgeting subject to impracticalities for the determination of the outcome in advance.

Statement of financial position:

Inventory – (12.62%) - Less housing inventory transferred to beneficiaries.

Receivables from exchange, receivables from non-exchange, operating leases and VAT - 21.28% - (in total, but individual items are below and above 10%) - The budget template does not provide for detail splitting of the various types of receivables therefore it is shown as one line item in the budget, but separate line items in the financial statements. All these items need to be seen as a whole to determine the actual variance. The major influence on this variance relates to the raising of a debtor for Provincial Housing Grant Funding, which was settled in July 2019 and VAT receivable.

Other assets (Long term and short term portion) – 0% (in total, but individually above 10%).

Intangible assets - 42.19% - Expenditure higher than estimated.

Unspent conditional grants – 231.31% - Budgeting subject to impracticalities for the determination of the outcome in advance, such as the Disaster Management Grant received in June 2019 in respect of 2019/2020.

Cash flow statement:

Interest income - 39.67% - Slower capital budget implementation, increased interest on outstanding debtors and more cash available for investing.

Other receipts - 60.42% - Public contributions of R26,9m received.

Proceeds on sale of assets (PPE, Investment property, heritage and intangible assets) - (100.0%) - The budget does not provide a separate item for the proceeds of other types of assets and therefore it is included with the proceeds of property, plant and equipment, if any. These items need to be seen as a whole to determine the actual variance. Budgeting is subject to impracticalities for the determination of the outcome in advance.

Movement in financial assets - (16.32%) - Fair Value of Sinking Fund is subject to market forces.

55. B-BBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

NOTE 52. (CONTINUED)

AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE IN EXCESS OF R2 000 IN TERMS OF CLAUSE 45 OF THE POLICY FOR 01 JULY 2018- 30 JUNE 2019

No.	Creditor Name	Relationship	Person In The Service Of The State	Capacity	Value (Incl Vat)
1	A2 Loodgieters Cc	Spouse	Beatrix Magdalena Nel	Prison Warden (Department of Correctional Services)	792,263.99
2	Appel VM	Spouse	Delicia Appel	Marketing & Communications Officer (SANBI)	235,725.00
3	Arendse RW	Spouse	Esmarilda Arendse	Teacher (Department of Education)	527,183.40
4	Aurecon	Spouse	WZ Erasmus	Manager (Cape Nature)	1,914,281.99
5	Boland Valuers CC	Spouse	Ester Groenewald	Part time Councillor (Stellenbosch Municipality)	339,438.60
6	Conlog (Pty) Ltd	Spouse	Mrs N Moodley	Director: Informatics - GIS	28,830.50
7	Du Plessis AA (Angies Catering)	Child	Bronwyn Du Plessis	Temp LED (Overstrand Municipality)	28,455.00
8	Four Helps Enterprise	Spouse	Stephen Williams & M	Clerk: Operational (Overstrand Municipality)	245,907.85
9	Greater Overberg Fire Protection Association	Child	Dr Pam Albertyn	National Parks	37,667.10
10	Henry Moses Spandiel Projects	Spouse	EC Spandiel	Teacher (Western Cape Dept of Education)	1,064,327.96
11	Heneke EA (Eleanor'S Catering Service)	Brother	Lionel Heneke	Paramedic (Western Cape Dept of Health)	54,230.00
12	Ikapa Reticulation & Flow	Spouse	Sophia Frances Anita Davids	Teacher (Department of Education)	5,642,525.38
13	Jc Refrigeration - Cape (Pty) Ltd	Spouse	Hayline Esterhuizen	Captain (South African Police Services)	179,150.00
14	Karelse G (Glenwan Karelse Cleaning Services)	Brother	Willie Karelse	Truck driver (Overstrand Municipality)	30,060.00
15	Kreesan Investments (Pty) Ltd	Parent	Sivalingum Subramoney	Deputy Director (Department of Correctional Services)	31,600.00
16	Main En Sea Glades Eiendom CC	Spouse	Carlow Engelbrecht	ICT Administrator (Overstrand Municipality)	20,792.58
17	Masiqhame Trading 77 CC	Child	Simphiwe Gxilishe	Teacher (Department of Education)	5,750.35
18	Maxitec CC	Spouse	Riana Steenekamp	Media Liaison Officer (Overstrand Municipality)	264,157.05
19	Ncc Environmental Services	Spouse	Chandre Rhoda	Head of Invasive Species Programme (City of Cape Town)	39,224.95
20	Nxinxis Services (Pty) Ltd	Spouse	Xolani Gqoli	Sergeant (South African Police Services)	170,430.00
21	Oliver MK (Dj Magic)	Parent	Lowies Adonis	Driver: Refuse - Kleinmond (Overstrand Municipality)	24,500.00
22	Piston Power Chemicals CC	Spouse	Naoira Andhee	Teacher (Department of Education)	196,607.75
23	PJ Bookbinders	Child	Simone Barnes	Org. Development Practitioner: Dept of Premier	20,935.75
24	Premises	Spouse	Charlotte Hector	Quality Accessor (NHBRC)	20,294.19
25	Quintessential Security CC	Spouse	Hanlie Van Tonder	Manager: Council Support Services (Overstrand Municipality)	525,697.90
26	Rhode Bros Steel Projects CC	Child	Don Rhode	Police Officer (South African Police Services)	120,865.00
27	Sa Employment Law Services CC	Spouse	Gertruda Aletta Buitendag	Head: Payroll & Personnel (City of Cape Town)	11,131.00
28	Sales A	Spouse	Elmarie Sales	Personal Assistant (Department of Social Development)	7,740.00
29	Sobantu M	Spouse	Nomabhele Sobantu	Clerk (South African Police Services)	14,760.00
30	Sound Works Hermanus (Pty) Ltd	Parent	JD Mitchell	Foreman (Theewaterskloof Municipality)	53,920.00
31	Swart JI	Spouse	Madelein Swart	Administrator (Overstrand Municipality)	8,400.00
32	Technology Corporate Management (Pty) Ltd	Child	Zeth Malele	Manager: Marketing (Brand South Africa)	67,657.07
33	Tsch International Holdings (Pty) Ltd	Spouse	Eugene Hlongwane	Manager: Solid Waste Management (City of Cape Town)	923,455.85
34	Uylenvlei Retreat	Spouse	Ms JP Van Deventer	Teacher (Department of Education)	32,390.00
35	Vermaak EW	Spouse	JMC Vermaak	Pharmacist (Department of Health)	48,240.00
36	Wab Printmedia (Pty) Ltd	Spouse	Adeline Brink	Manager: Corporate Services-Drakenstein Muni.	41,056.50
37	Wally'S Panelbeaters	Spouse	Jonelle Williams (Traffic)	Clerk : Traffic Department(Overstrand Municipality)	22,016.00
38	GIBB (Pty) Ltd	Spouse	Alan Moon	Head of Business Continuity (City of Cape Town)	5,140,391.00
		Spouse	Sonnikia Cilliers	Teacher (Western Cape Dept of Education)	
		Spouse	Nokuthula Mkhize	Accounting Clerk (Department of Water Affairs)	
		Parent	Irma Brink	Teacher (Free State Dept of Education)	
		Spouse	Nkosinathi Mzayia	Prison Warden (Department of Correction Services)	
		Spouse	Jacqueline Gooch	Head of Department (Department of Transport)	
		Spouse	Unathi Lekonyana	Deputy Director: Grant Monitoring (National Treasury)	
		Spouse	Rajiv Beharie	Senior Engineer (ESKOM)	
		Spouse	K Naidoo	Head of Department (Department of Education)	
39	AKV Services (Pty) Ltd	Spouse	C Vlotman	Police Officer (South African Police Services)	144,000.00
40	Nedbank	Brother	MM Matoqane	Project Manager	Rates based
		Spouse	B Radebe	Director	
41	Red Ant Security, Relocation And Eviction Services (Pty) Ltd	Spouse	B Lesiela	Director	594,065.16

19,670,124.87

Overstrand Municipality
Appendix A

Schedule of external loans as at 30 June 2019

		Loan Number	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
				Rand	Rand	Rand	Rand
Development Bank of Southern Africa							
DBSA @ 9.292%		13535/102	2020	628,195	-	314,097	314,098
DBSA @ 9.292%		13543/101	2019	547,229	-	273,615	273,614
DBSA @ 8.992%		13761/101	2020	651,861	-	260,744	391,117
DBSA @ 9.860%		102169/1	2022	7,111,514	-	1,529,975	5,581,539
DBSA @ 10.920%		103946/1	2026	32,000,000	-	4,000,000	28,000,000
DBSA @ 10.600%		103946/2	2026	100,000,000	-	-	100,000,000
DBSA @ 11.833%		61007348	2030	28,115,939	-	1,078,537	27,037,402
DBSA @ 10.728%		61007381	2030	28,607,614	-	1,180,390	27,427,224
DBSA @ 10.205%		61007382	2030	29,611,101	-	1,264,375	28,346,726
DBSA @ 9.240%		61007559		-	54,000,000	-	54,000,000
				227,273,453	54,000,000	9,901,733	271,371,720
Annuity loans							
INCA @ 10.090%			2022	26,053,293	-	5,585,636	20,467,657
ABSA @ 10.440%		4073054262	2024	23,357,122	-	2,974,187	20,382,935
ABSA @ 10.820%		4073923493	2024	24,786,384	-	3,124,758	21,661,626
ABSA @ 10.380%		0387230981	2024	43,005,303	-	4,924,051	38,081,252
ABSA @ 9.110%		0387230982	2028	25,358,935	-	1,645,121	23,713,814
ABSA @ 7.920%		0387230983	2020	2,401,584	-	1,154,248	1,247,336
ABSA @ 10.940%		0387230984	2029	34,525,579	-	1,744,167	32,781,412
ABSA @ 9.690%		0387230985	2021	714,390	-	216,019	498,371
ABSA @ 9.950%		0387230986	2030	31,259,288	-	1,446,732	29,812,556
ABSA @ 9.200%		0387230987	2022	3,370,726	-	731,797	2,638,929
				214,832,604	-	23,546,716	191,285,888
Total external loans							
Development Bank of Southern Africa				227,273,453	54,000,000	9,901,733	271,371,720
Annuity loans				214,832,604	-	23,546,716	191,285,888
				442,106,057	54,000,000	33,448,449	462,657,608

Overstrand Municipality

Appendix B

Analysis of property, plant and equipment as at 30 June 2019

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	348,443,609	1,427,636	(5,154)	(3,167,421)	-	-	346,698,670	(425,208)	-	-	-	-	(425,208)	346,273,462
Buildings (Separate for AFS purposes)	151,579,127	227,607	-	-	-	-	151,806,734	(56,984,759)	-	-	(3,800,962)	-	(60,785,721)	91,021,013
	500,022,736	1,655,243	(5,154)	(3,167,421)	-	-	498,505,404	(57,409,967)	-	-	(3,800,962)	-	(61,210,929)	437,294,475
Infrastructure														
Roads, Pavements & Bridges	1,515,099,154	48,069,220	(2,072,648)	-	-	-	1,561,095,726	(460,786,515)	2,072,648	-	(32,824,984)	(698,332)	(492,237,183)	1,068,858,543
Storm water	303,396,381	4,954,812	-	-	-	-	308,351,193	(101,525,798)	-	-	(5,826,699)	-	(107,352,497)	200,998,696
Electricity	1,028,886,558	27,168,863	-	-	-	-	1,056,055,421	(505,914,870)	-	-	(24,965,216)	-	(530,880,086)	525,175,335
Water purification	1,037,127,672	12,270,442	(816,302)	-	-	-	1,048,581,812	(555,760,858)	816,302	-	(27,430,236)	(231,921)	(582,606,713)	465,975,099
Sewerage purification	653,822,843	31,113,013	(819,121)	-	-	-	684,116,735	(286,390,279)	819,122	-	(16,390,142)	(277,625)	(302,238,924)	381,877,811
Other	54,170,149	39,452	-	-	-	-	54,209,601	(23,866,670)	-	-	(3,842,664)	-	(27,709,334)	26,500,267
	4,592,502,757	123,615,802	(3,708,071)	-	-	-	4,712,410,488	(1,934,244,990)	3,708,072	-	(111,279,941)	(1,207,878)	(2,043,024,737)	2,669,385,751
Community Assets														
Other	302,818,502	29,070,631	-	-	-	-	331,889,133	(119,196,230)	-	-	(8,170,416)	-	(127,366,646)	204,522,487
	302,818,502	29,070,631	-	-	-	-	331,889,133	(119,196,230)	-	-	(8,170,416)	-	(127,366,646)	204,522,487
Heritage assets														
Other	133,432,197	-	-	-	-	-	133,432,197	(9,250,000)	-	-	-	-	(9,250,000)	124,182,197
	133,432,197	-	-	-	-	-	133,432,197	(9,250,000)	-	-	-	-	(9,250,000)	124,182,197
Other assets														
General vehicles	68,425,779	15,045,069	(328,947)	-	-	-	83,141,901	(18,938,650)	328,946	-	(3,292,411)	(223,947)	(22,126,062)	61,015,839
Plant & equipment	8,690,915	1,120,138	-	-	-	-	9,811,053	(5,148,551)	-	-	(738,658)	-	(5,887,209)	3,923,844
Office Equipment	22,564,072	2,180,128	(88,080)	-	-	-	24,656,120	(13,891,164)	49,158	-	(1,852,123)	(12,529)	(15,706,658)	8,949,462
	99,680,766	18,345,335	(417,027)	-	-	-	117,609,074	(37,978,365)	378,104	-	(5,883,192)	(236,476)	(43,719,929)	73,889,145
Total property plant and equipment														
Land and buildings	500,022,736	1,655,243	(5,154)	(3,167,421)	-	-	498,505,404	(57,409,967)	-	-	(3,800,962)	-	(61,210,929)	437,294,475
Infrastructure	4,592,502,757	123,615,802	(3,708,071)	-	-	-	4,712,410,488	(1,934,244,990)	3,708,072	-	(111,279,941)	(1,207,878)	(2,043,024,737)	2,669,385,751
Community Assets	302,818,502	29,070,631	-	-	-	-	331,889,133	(119,196,230)	-	-	(8,170,416)	-	(127,366,646)	204,522,487
Heritage assets	133,432,197	-	-	-	-	-	133,432,197	(9,250,000)	-	-	-	-	(9,250,000)	124,182,197
Other assets	99,680,766	18,345,335	(417,027)	-	-	-	117,609,074	(37,978,365)	378,104	-	(5,883,192)	(236,476)	(43,719,929)	73,889,145
	5,628,456,958	172,687,011	(4,130,252)	(3,167,421)	-	-	5,793,846,296	(2,158,079,552)	4,086,176	-	(129,134,511)	(1,444,354)	(2,284,572,241)	3,509,274,055
Intangible assets														
Computers - software & programming	7,065,727	2,422,704	-	-	-	-	9,488,431	(2,726,836)	-	-	(524,840)	-	(3,251,676)	6,236,755
Other	2,360,000	-	-	-	-	-	2,360,000	-	-	-	-	-	-	2,360,000
	9,425,727	2,422,704	-	-	-	-	11,848,431	(2,726,836)	-	-	(524,840)	-	(3,251,676)	8,596,755

Overstrand Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2019	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Investment properties														
Investment property	113,951,000	-	-	5,746,500	-	-	119,697,500	-	-	-	-	-	-	119,697,500
	113,951,000	-	-	5,746,500	-	-	119,697,500	-	-	-	-	-	-	119,697,500
Total														
Land and buildings	500,022,736	1,655,243	(5,154)	(3,167,421)	-	-	498,505,404	(57,409,967)	-	-	(3,800,962)	-	(61,210,929)	437,294,475
Infrastructure	4,592,502,757	123,615,802	(3,708,071)	-	-	-	4,712,410,488	(1,934,244,990)	3,708,072	-	(111,279,941)	(1,207,878)	(2,043,024,737)	2,669,385,751
Community Assets	302,818,502	29,070,631	-	-	-	-	331,889,133	(119,196,230)	-	-	(8,170,416)	-	(127,366,646)	204,522,487
Heritage assets	133,432,197	-	-	-	-	-	133,432,197	(9,250,000)	-	-	-	-	(9,250,000)	124,182,197
Other assets	99,680,766	18,345,335	(417,027)	-	-	-	117,609,074	(37,978,365)	378,104	-	(5,883,192)	(236,476)	(43,719,929)	73,889,145
Intangible assets	9,425,727	2,422,704	-	-	-	-	11,848,431	(2,726,836)	-	-	(524,840)	-	(3,251,676)	8,596,755
Investment properties	113,951,000	-	-	5,746,500	-	-	119,697,500	-	-	-	-	-	-	119,697,500
	5,751,833,685	175,109,715	(4,130,252)	2,579,079	-	-	5,925,392,227	(2,160,806,388)	4,086,176	-	(129,659,351)	(1,444,354)	(2,287,823,917)	3,637,568,310

Overstrand Municipality Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2019	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Municipality													
Finance & Admin/Finance	856,512,426	22,423,282	(422,181)	(3,167,421)	5,746,500	881,092,606	(107,365,168)	378,104	-	(10,208,994)	(236,476)	(117,432,534)	763,660,072
Comm. & Social/Libraries and archives	302,818,502	29,070,631	-	-	-	331,889,133	(119,196,230)	-	-	(8,170,416)	-	(127,366,646)	204,522,487
Waste Water Management/Sewerage	957,219,224	36,067,825	(819,121)	-	-	992,467,928	(387,916,077)	819,122	-	(22,216,841)	(277,625)	(409,591,421)	582,876,507
Road Transport/Roads	1,515,099,154	48,069,220	(2,072,648)	-	-	1,561,095,726	(460,786,515)	2,072,648	-	(32,824,984)	(698,332)	(492,237,183)	1,068,858,543
Water/Water Distribution	1,037,127,672	12,270,442	(816,302)	-	-	1,048,581,812	(555,760,858)	816,302	-	(27,430,236)	(231,921)	(582,606,713)	465,975,099
Electricity /Electricity Distribution	1,028,886,558	27,168,863	-	-	-	1,056,055,421	(505,914,870)	-	-	(24,965,216)	-	(530,880,086)	525,175,335
Waste management/Refuse	54,170,149	39,452	-	-	-	54,209,601	(23,866,670)	-	-	(3,842,664)	-	(27,709,334)	26,500,267
	5,751,833,685	175,109,715	(4,130,252)	(3,167,421)	5,746,500	5,925,392,227	(2,160,806,388)	4,086,176	-	(129,659,351)	(1,444,354)	(2,287,823,917)	3,637,568,310
Total													
Municipality	5,751,833,685	175,109,715	(4,130,252)	(3,167,421)	5,746,500	5,925,392,227	(2,160,806,388)	4,086,176	-	(129,659,351)	(1,444,354)	(2,287,823,917)	3,637,568,310
	5,751,833,685	175,109,715	(4,130,252)	(3,167,421)	5,746,500	5,925,392,227	(2,160,806,388)	4,086,176	-	(129,659,351)	(1,444,354)	(2,287,823,917)	3,637,568,310

Overstrand Municipality Appendix D

Segmental Statement of Financial Performance for the year ended 30 June 2019	
Prior Year	Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Functions						
21,598,636	24,779,537	(3,180,901)	Executive and Council	39,901,317	56,041,385	(16,140,068)
313,490,470	161,882,134	151,608,336	Finance and Administration	372,977,028	163,546,715	209,430,313
14,259,224	85,115,122	(70,855,898)	Planning and Development	14,034,314	36,688,487	(22,654,173)
-	-	-	Internal Audit	86,460	2,667,844	(2,581,384)
4,148,780	33,855,507	(29,706,727)	Community and Social Services	8,471,058	16,971,724	(8,500,666)
56,186,314	12,588,702	43,597,612	Housing	47,457,067	18,299,479	29,157,588
40,605,211	73,286,398	(32,681,187)	Public Safety	2,817,746	43,920,849	(41,103,103)
8,217,635	18,306,801	(10,089,166)	Sport and Recreation	29,227,378	43,904,713	(14,677,335)
22,169	5,705,407	(5,683,238)	Environmental Protection	294,953	6,820,973	(6,526,020)
95,069,965	64,937,052	30,132,913	Waste Water Management	110,676,558	99,416,701	11,259,857
8,969,603	91,196,805	(82,227,202)	Road Transport	37,854,781	140,112,662	(102,257,881)
125,311,786	66,052,168	59,259,618	Water	145,980,226	122,989,424	22,990,802
380,758,022	295,385,999	85,372,023	Energy Sources	419,560,383	365,115,031	54,445,352
72,638,810	63,963,892	8,674,918	Waste Management	76,776,550	81,024,260	(4,247,710)
-	-	-	Other: Tourism	-	3,031,175	(3,031,175)
1,141,276,625	997,055,524	144,221,101		1,306,115,819	1,200,551,422	105,564,397
Other charges						
-	-	-	Departmental charges	(91,989,230)	(91,989,230)	-
-	-	-		(91,989,230)	(91,989,230)	-
1,141,276,625	997,055,524	144,221,101	Functions	1,306,115,819	1,200,551,422	105,564,397
-	-	-	Other charges	(91,989,230)	(91,989,230)	-
1,141,276,625	997,055,524	144,221,101	Total	1,214,126,589	1,108,562,192	105,564,397

Overstrand Municipality
Appendix E(1)

**Actual versus Budget(Revenue and Expenditure) for the year ended
30 June 2019**

	Act. Bal.	Adjusted	Variance		Explanation of Significant Variances
	Rand	budget	Rand	Var	greater than 10% versus Budget
		Rand			
Revenue					
Service charges	648,200,079	624,718,100	23,481,979	3.8	
Rental of facilities and equipment	6,340,863	5,842,802	498,061	8.5	
Agency services	4,912,994	4,526,000	386,994	8.6	
Licences and permits	2,526,365	2,446,700	79,665	3.3	
Property rates	233,274,257	234,998,400	(1,724,143)	(0.7)	
Government grants and subsidies	185,036,029	184,258,489	777,540	0.4	
Public contributions	26,418,172	250,001	26,168,171	10,467.2	Non-cash contributions primarily from electricity turnkey projects and Hermanus sports complex infrastructure that vested to the municipality.
Fines, penalties and forfeits	24,734,386	30,164,902	(5,430,516)	(18.0)	Less fines issued.
Other income	30,028,074	27,247,395	2,780,679	10.2	Insurance claims received in excess of estimate.
Interest received - investment	45,928,236	32,905,399	13,022,837	39.6	Slower capital budget implementation, increased interest on outstanding consumer debtors and more cash available for investing.
Interest received - other	31,870	1,100	30,770	2,797.3	Interest received on Eskom deposits
	1,207,431,325	1,147,359,288	60,072,037	5.2	
Expenses					
Employee related costs	(367,941,685)	(375,805,125)	7,863,440	(2.1)	
Remuneration of councillors	(10,573,228)	(10,972,260)	399,032	(3.6)	
Depreciation	(129,134,511)	(129,709,455)	574,944	(0.4)	
Amortisation	(524,840)	(652,783)	127,943	(19.6)	
Impairments	(1,444,354)	-	(1,444,354)	100.0	The budget format does not provide a separate item for impairment loss as it is budgeted together with depreciation, but shown separate in the financial statements.
Finance costs	(44,920,621)	(47,834,480)	2,913,859	(6.1)	
Debt Impairment	(17,948,502)	(23,492,000)	5,543,498	(23.6)	Reduced impairment of fines due to less fines issued.
Lease rentals	(330,049)	(1,550,773)	1,220,724	(78.7)	Reduced expenditure due to the termination of certain leases.
Bulk purchases	(242,613,624)	(242,613,627)	3	-	
Contracted Services	(186,758,281)	(202,991,895)	16,233,614	(8.0)	
Transfers and Subsidies	(485,850)	(575,124)	89,274	(15.5)	
Materials	(47,091,540)	(52,496,628)	5,405,088	(10.3)	More Top Structures expenditure transferred to Housing Inventory than transfers to beneficiaries
General Expenses	(58,185,188)	(65,782,238)	7,597,050	(11.5)	General cost savings and efficiencies.
	(1,107,952,273)	(1,154,476,388)	46,524,115	(4.0)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(609,917)	11,000	(620,917)	(5,644.7)	Budgeting subject to impracticalities for the determination of the outcome in advance.
Fair value adjustments	6,695,262	2,000,000	4,695,262	234.8	Budgeting subject to impracticalities for the determination of the outcome in advance.
	6,085,345	2,011,000	4,074,345	202.6	
Net surplus/(deficit) for the year					
	105,564,397	(5,106,100)	110,670,497	(2,167.4)	

Overstrand Municipality
Appendix E(2)

**Budget Analysis of Capital Expenditure as at
30 June 2019**

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances in excess of 10% of the budget
	Rand	Rand	Rand	%	
Municipality					
Executive & Council/Mayor and Council	295,165	571,968	(276,803)	(48)	Savings on vehicles purchased
Planning and Development/Economic Development/Plan	1,345,505	1,720,179	(374,674)	(22)	Roll over project identified to be completed in 2019-2020
Comm. & Social/Libraries and archives	5,163,604	5,249,401	(85,797)	(2)	
Housing	34,275,986	34,271,213	4,773	-	
Public Safety/Police	4,809,422	6,556,202	(1,746,780)	(27)	Roll over projects identified to be completed in 2019-2020
Sport and Recreation	23,922,928	8,006,958	15,915,970	199	Capital-in-kind donation w.r.t Hermanus Sports complex
Waste Water Management/Sewerage	42,209,616	54,744,054	(12,534,438)	(23)	Roll over projects identified to be completed in 2019-2020
Road Transport/Roads	12,061,188	12,830,567	(769,379)	(6)	
Water/Water Distribution	12,270,442	21,945,225	(9,674,783)	(44)	Roll over projects identified to be completed in 2019-2020
Electricity /Electricity Distribution	28,893,042	20,455,522	8,437,520	41	Turnkey electrical projects identified in Gansbaai area
Waste Management	1,498,982	1,496,791	2,191	-	
Corporate Services	6,936,200	6,900,083	36,117	1	
	173,682,080	174,748,163	(1,066,083)	(1)	

Overstrand Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003, for the year ended 30 June 2019

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total			
FMG	Nat Treasury	1,550	-	-	-	1,550	203	169	235	943	1,550	N/A	Yes	N/A
EPWP	Prov Treasury	483	866	577	-	1,926	310	490	362	765	1,927	N/A	Yes	N/A
MIG	Nat Treasury	6,241	3,719	3,210	8,469	21,639	3,043	6,502	2,518	14,119	26,182	N/A	Yes	N/A
INEP	DME	2,262	2,000	-	-	4,262	-	951	(161)	3,472	4,262	N/A	Yes	N/A
Library	Prov Treasury	2,649	2,049	2,049	-	6,747	1,826	2,335	1,873	1,242	7,276	N/A	Yes	N/A
Housing	Prov Treasury	-	1,211	11,195	24,189	36,595	-	3,671	7,733	35,392	46,796	N/A	Yes	N/A
Main road sub	Prov Treasury	-	-	137	-	137	-	-	-	137	137	N/A	Yes	N/A
Thusong Centre	Prov Treasury	-	-	100	-	100	-	2	-	98	100	N/A	Yes	N/A
Fin Man Capacity	Prov Treasury	-	360	-	-	360	-	-	-	-	-	N/A	Yes	N/A
FMSG	Prov Treasury	-	-	280	-	280	-	-	-	-	-	N/A	Yes	N/A
Graduate Internship	Prov Treasury	-	-	72	-	72	23	22	19	22	86	N/A	Yes	N/A
K9 Unit	Prov Treasury	-	-	-	4,000	4,000	-	-	-	200	200	N/A	Yes	N/A
Mun Serv Delivery and Capacity	Prov Treasury	-	-	200	-	600	-	-	-	62	62	N/A	Yes	N/A
Disaster Management	Prov Treasury	-	-	-	5,000	5,000	-	-	-	-	-	N/A	Yes	N/A
Public Transport Non-motorised Infrastructure	Prov Treasury	-	-	-	-	-	-	-	56	334	390	N/A	Yes	N/A
		13,185	10,205	17,820	41,658	83,268	5,405	14,142	12,635	56,786	88,968			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.